



# INSPIRING NEW TRADITIONS

## ANNUAL REPORT 2019



# ABOUT THE REPORT

Inspiring New Traditions is the outlook National Foods Limited has adapted for business this year. Over the course of the year, we have strived to inculcate this message in every decision, product and initiative taken by us.

Our existence is based upon the happiness and health of our consumers, which leads us to provide the very best quality of products across the board. Our values direct us to innovate with the ever-growing economy of our nation, and to apprise our consumers regarding the importance of their health. With the changes in the food industry, National Foods Limited is looking forward to being a driving force.

The report highlights our outlook on Inspiring New Traditions. It showcases the manner in which we have moved through the year with the help of this idea in our minds.





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# OUR STORY

National Foods Limited (NFL), founded in 1970, is Pakistan's leading multcategory food company with over 250 different products, across 13 categories. NFL holds ISO 9001, ISO 18001, ISO 22000 and HACCP certifications coupled with SAP Business Technology to drive its strong commitment to quality and management excellence.

In alignment with NFL's Vision of becoming a Rs. 50 billion company, we constantly Inspire New Traditions and are already on our way to be recognized as an internationally renowned brand in over 30 countries across 5 continents worldwide. This has been facilitated with the aim of keeping traditions through new methods.

NFL is dedicated to improving the well-being of our society through continuous development of innovative food products and changing the way in which the modern household cooks food. We are also dedicated to infusing new initiatives into the society through our wide range of Corporate Social Responsibility programs.





## BUSINESS PROFILE

National Foods Limited has successfully established itself as a multinational food company with an independent subsidiary, National Foods DMCC in Dubai, in 2013, catering to the Middle Eastern market. This structure was further expanded with 2 more subsidiaries in Canada, (National Epicure Inc.) and United Kingdom, (National Foods Pakistan UK Limited) catering to the North American and European markets respectively.

During 2017, National Epicure Inc. acquired 60% interest in A-1 Bags and Supplies Inc., a company based in Ontario, Canada, engaged in distribution of restaurant, industrial & retail supplies.







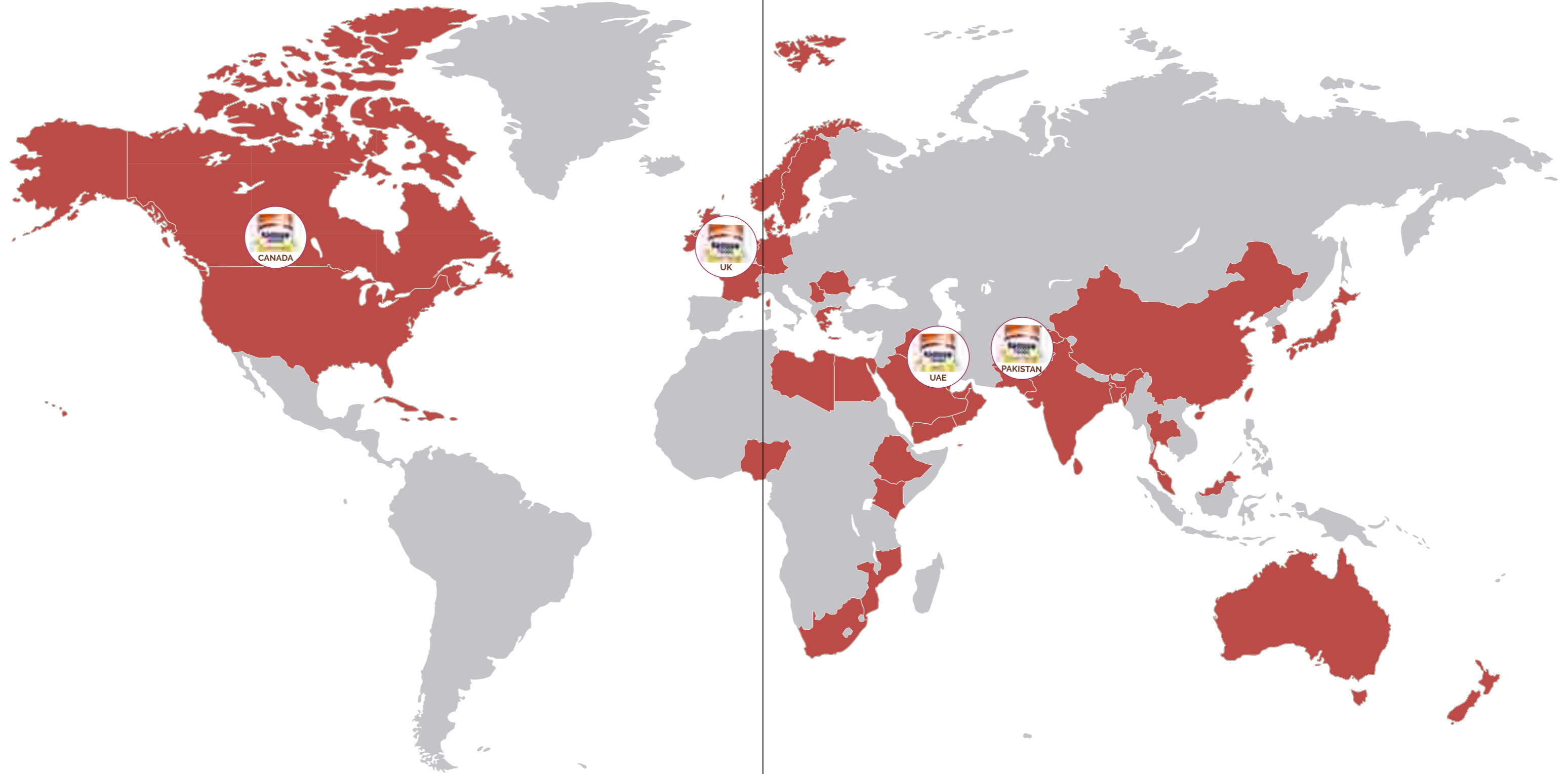
# GEOGRAPHICAL PRESENCE



**04** OFFICES

**05** CONTINENTS

**40** COUNTRIES





## FOUNDERS' PHILOSOPHY

National Foods must focus on customers' needs and serve them with quality products at affordable prices. Our products must be pure and should conform to international standards. Our research must continuously produce new and adventurous products that are scientifically tested and hygienically wrapped in safe and attractive packaging.

We must create an environment in our offices and factories where talent is groomed and people have every opportunity to advance in their careers. We must provide ourselves to be good corporate citizens, support charitable causes and bear fair share of taxes.

Reserves must be built, new factories created, sound profits made and fair dividend should be paid to our stockholders. Through building a reliable brand, National Foods must get itself recognized as a leader in Pakistan and abroad.

With the help of Almighty God, the company can achieve its targets in times to come.

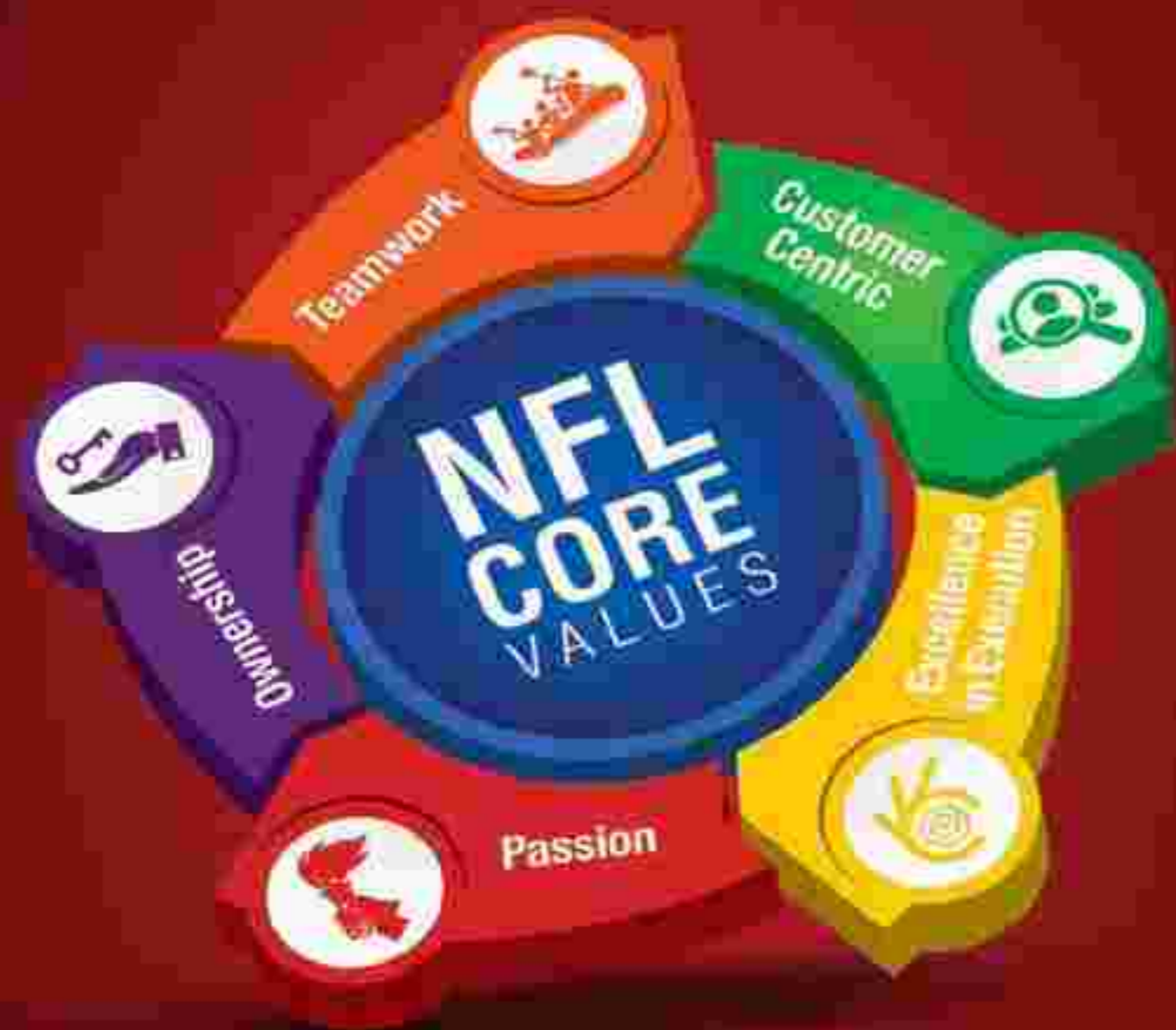




## VISION & MISSION

To be a Rs. 50 billion food company in the convenience food segment by launching products and services in the domestic and international markets that enhance lifestyle and create value for our customers through management excellence at all levels.





# CORE VALUES



## OWNERSHIP

Own it and deliver it

- We lead by example
- We are responsible for all our actions and decisions
- We empower ourselves and take initiatives to meet business needs
- We own our growth and development
- We are responsible for the safety and well-being of ourselves and our community



## TEAMWORK

Trust each other and achieve together

- We work collaboratively across organizational boundaries on common objectives
- We respect each other's ideas and opinions
- We give constructive and candid feedback
- We share knowledge and experiences to help each other develop
- We celebrate the wins together



## CUSTOMER CENTRIC

Prioritize customer experience (Internal & External)

- We continuously seek to understand and identify customer needs
- We focus on providing convenience and value to our customers
- We listen to our customers and treat them with respect
- We are clear and transparent in our communication
- We consider all customer touchpoints to offer the best possible solution



## EXCELLENCE IN EXECUTION

Lead, commit and deliver the best

- We set a clear direction for our deliverables
- We make decisions which result in increased productivity and efficiencies
- We develop proactive solutions to overcome current or potential challenges
- We work on continuous performance improvement and learning
- We strive to consistently add value to the business and the environment



## PASSION

Go above and beyond

- We love what we do
- We have the courage to question the status quo
- We think big and create new possibilities
- We bring positive energy to everything we do
- We are driven by new challenges and learning opportunities



## CODE OF ETHICS & BUSINESS PRACTICES

National Foods Limited believes in conducting its operations with strong ethical and moral standards. NFL's statement of code of conduct & business practices aims to provide guidance on carrying out its business-related decisions and activities. Any party entering any form of contract with NFL is bound to comply with the given guidelines. It has the following seven guidelines:

### **Unfair Behavior:**

We aim to operate in a manner that discourages discrimination, harassment and/or influence. Discrimination refers to favoritism based on a particular aspect of an individual's personality. Harassment includes gender harassment creating an intimidating, hostile or offensive work environment causing interference with work performance. Influence could be an abuse of authority or the wish to alter personal beliefs.

### **Health, Safety and Community Responsibility:**

NFL is fully committed to safety, health, and responsibility towards environment and community. All activities of NFL must portray responsibility towards the community and nation as a whole. NFL seeks to employ procedures that are safe, healthy and environment-friendly.

### **Unfair Means:**

Any use of bribery, kickbacks or any form of payment in cash/kind to obtain any undue business related or otherwise gainful benefit for the company is strictly prohibited. Excessive business gifts and entertainment also hold the same meaning and NFL does not approve of such payments.

### **Confidentiality:**

NFL believes in confidentiality of information related to company business activities. The company expects employees not to disclose or divulge by any means the confidential and commercially sensitive information except to the authoritative employee requiring it. Furthermore, they should use their best endeavors to prevent the disclosure of such information by other people. The obligation of confidentiality shall survive the expiration or the cessation of employment contracts with National Foods Limited and is equally applicable to intellectual property.

### **Statutory Compliance:**

NFL aims to comply with all the laws, rules and regulations laid down by governmental and regulatory bodies.

### **Conflict of Interest:**

NFL prohibits actions that are in conflict with the company business interests. This may include but is not limited to:

- Providing assistance to the competition or holding ownership interests in a customer, supplier, distributor or competitor.
- Making personal gains at company expenses.

### **Financial Integrity:**

NFL believes in complete compliance with the accepted accounting rules and procedures. This includes but is not limited to:

### **Transparency:**

NFL discourages any illegal activity for the purpose of any benefit to the company or others. All information supplied to the stakeholders and/or auditors must be authentic & transparent.

### **Disclosure:**

All transactions must be fully disclosed and must be for the purpose stated.





# HISTORY IN MAKING

## 1970

The present management acquires a small company called 'National Food Laboratories Limited', with the idea of introducing branded and packaged spices. Although the spice industry is flourishing locally, it lacks a formal structure. National Foods makes its mark by bringing a revolution in the Pakistani food market, by launching packaged spices. Red Chilli, Turmeric and many other spices are introduced in a clean, attractive package to the consumers.

## 1986

A new factory complex is inaugurated at Site for the manufacturing facilities to be based. National Foods launches its range of recipe mixes.



## 1992

National Foods as a committed and socially responsible organization joins hands with UNICEF to spread awareness about the use of iodized salt which helps fight against widespread iodine related deficiencies and diseases in Pakistan.

## 1997

National Foods adds ketchup to its product portfolio.



## 1971

National Foods moves its operations to Dinar Chambers West Wharf.



## 1988

National Foods becomes the certified vendor of McCormick, USA, as part of their Supplier Certification Program. The certification is awarded on the basis of excellent production and quality credentials. National Foods also becomes a Public Listed Company on the Stock Exchange within the same year.

## 1993

National Foods goes into Salt Plant Modernization.

## 1998

National Foods launches its Jam and Jelly range and also becomes an ISO Certified Company.

## 1978

National Foods expands by acquiring new spice mill and a packaging plant. National Foods launches its branded salt.



## 1991

With the aim of bringing constant value to our consumers, National Foods diversifies its product portfolio with the launch of the Pickle range.



## 1996

National Foods introduces its first Human Resources Department.

## 2000

National Foods launches its mainstream products in Australia to offer a taste of ethnic food to the Non-Asian consumers. The following year, National Foods crosses Rs.1 billion on its sales.

## 2001

National launches its line of instant desserts.



## 2010

National Foods celebrates its 40 years of success and introduces the instant drink category with the launch of "Fruitily".



## 2015

National Foods inaugurates Gujranwala Factory in line with its Vision. This plan focuses on streamlining the value chain of Kasuri Methi, along with providing support to National Recipe Masala's packaging processes.

NFL launches its first Solar Energy Project at Port Qasim in line with sustainable energy developments.

## 2019

Gender Diversity Award By CFA Pakistan Society.  
Nooriabad plant starts 24-Hour Operations.  
Launch of National Garlic Mayo.  
Perfect Store Launch and Bushfire Activity.  
Launch of DBRS (Demand Based Replenishment System).



## 2006

National Foods celebrates the opening of its brand new production facility at Port Qasim. This new factory is equipped with state-of-the-art machinery and is spread over more than 10 acres.

## 2013

National Foods establishes its first international subsidiary, NF DMCC, in Dubai.

Aflatoxin free Red Chilli Crop project conducted successfully with progressive farmers.

"Building Excellence in People" program was initiated by HR.

## 2017

National Foods acquires 60% interest in A-1 Bags and Supplies Inc. through its subsidiary in Canada.

National Foods launches Mayonnaise to its product range.

Systems are switched to Office 365.

Launch of the 1<sup>st</sup> 360-degree campaign for International Markets.



National Ketchup gets a new look!

Partnership with Sopheon for CATALYST - Innovation Management.

Launch of our most affordable National Salt SKU.

British Retail Consortium (BRC) Audit conducted and Grade A awarded.

## 2009

National revitalizes passion with revamping of its logo and packaging of all products.

## 2014

National Foods establishes its subsidiary, National Epicure Inc., in Canada for trading of food products in North America.

National Foods launches its "Saaf Pani Sehatmand Zindagi" campaign.

National Foods also launches its first range of Halal frozen meals and traditional nimco snacks called National Authentic and National Masala Snax internationally.

## 2018

National Foods shifts to its new Corporate Office. Inauguration of the Snacks productions at Port Qasim with launch of Scene On in the market.

Launch of Chana Chaat Masala and Fruit Chaat Masala.

Establishment of Demand Based Replenishment System (DBRS).

Launch of NFL's first-ever Sales Career Framework.







## AWARDS & CERTIFICATES

### Gender Diversity Award

National Foods Limited has been a pioneer for promoting gender diversity in the workplace. NFL recognizes the important role women play in economic development as workforce gender diversity is directly linked with increased productivity, competitiveness and overall business growth. Since one of the pillars of our CSR strategy is Gender Equality, the company has taken certain steps towards this agenda. As a result, we have won the Gender Diversity Award by CFA Society Pakistan making us the top local company to have been recognized for Gender Diversity.

There have been several initiatives both inside and outside the company that have contributed to this award. It was based on the proportion of female employees at all management levels and that of our Board of Directors.

It also included our family-friendly policies and other initiatives such as Daycare facility, extended maternity leaves, designated prayer areas for women as well as our external programs that have educated over 80,000 women.

### Top Brand Award in Brand Elections 2018

This year, National Foods capitalised on the opportunity of recognising its esteemed brands by taking part in the Brand Elections 2018. As a result, National Foods was awarded the Top Brand Award in the Food Household category. We were nominated as the leading brand in multiple products including Recipe Mixes, Pickles, Spices, Ketchup, Jam, Jelly & Marmalade. This achievement is testament to the hard work, passion and dedication of the entire National Foods Family.

### British Retail Consortium Audit

We received a successful certification by the British Retail Consortium who conducted an audit on our Food Safety Management. The BRC Foods Safety Standard provides a framework to manage product safety, quality, integrity and the operational controls in the food and food ingredient manufacturing, processing and packing industry. The Company's high standard of operations ensured this criteria was met which resulted in the achievement of a Grade A in the audit.

# EMPLOYER OF CHOICE FOR GENDER BALANCE AWARDS

DECEMBER 17, 2018 | MARRIOTT KARACHI

#ECGBA18





## OUR PEOPLE

Our people are the fundamental enablers to our success. We ensure that we engage a performance-driven culture and hire the right people with right capabilities to realize our vision which is driven by our founder's philosophy for sustainable acceleration.

2018-19 has been a year of significant process improvements with regards to a wide range of people-related interventions that were undertaken by the Human Resources team. One of the key initiatives was abridging the Core Values to embed them into the Organization. The 5 NFL Core Values are still derived from our Founder's Philosophy and now linked to an actionable term and associated behaviors to ensure that they are at the core of everything we do.

These 5 Core Values and behaviors have formed the basis of all our people processes such as recruitment processes, behavioral assessments as part of Career Frameworks, Performance Appraisals, Talent Management and Developmental discussions. Our ongoing endeavors are focused to culminate a culture which will eventually enhance the capability building of our people.



### Career Fairs

HR Team participated in the recruitment drives at University of Azad Jammu & Kashmir and Institute of Business Administration, Karachi. These recruitment drives served as a platform to interact with the students and navigate them about the openings, Trailblazers (Management Trainee Program), Summer Internship Programs and provided guidance based on their career aspirations.

### Trailblazers

In a bid to revolutionize the operations of the industry and to recruit top talent, NFL revamped, rebranded and relaunched its Management Trainee Program which is now called NFL 'Trailblazers'. The purpose of this accelerated growth program is to recruit new talent that can Trailblaze their way to the top and take the organization to new levels. NFL teamed up with Taar, a consulting company through Mettl (Taar's Assessment Center).

The organization uses a complete online testing method. The tests are designed to identify the right fit for the organization using comprehensive checks for attention to detail, problem solving, critical thinking, data analysis and analytical thinking. Around 3000 applicants went through a rigorous selection process out of which 2100 were shortlisted for the Online Analytical Test. After the online aptitude test, a total of 36 candidates were broken into 6 groups where they got evaluated on developing a solution set upon inhouse developed business case study.

They were observed for their participation and contribution to group discussions, time management, analytical, planning and strategic skills, innovative solutions, communication and presentation. The candidates also went through an online psychometric test which helped NFL gauge their right organizational fit.

Currently, 12 Trailblazers are being navigated through constant coaching in their respective functions. Quarterly feedback sessions, progress tracking and relevant trainings are aimed to provide the right developmental opportunities. This will help to build a strong leadership pipeline to ultimately benefit our business.

### Summer Internship Program - Recipe for Success

HR team launched their first ever structured internship program which entailed merit-based selection process where 5000 applications were received, out of which 125 students were shortlisted to take the online aptitude test through our business partner "Taar-Mettl". Out of this pool, top scorers were interviewed, and best 10 interns were placed on pre-planned projects. These projects were aimed at honing the skills of young professionals to create their perfect Recipe for Success with respective departments. This program will enable to bridge the gap between industry and academia while providing the company with a pool of ready talent for future business needs.

### Apprenticeship Program

To meet the future requirements for entry level plant operations staff and support the diversity at all levels, NFL launched the Apprenticeship Program for our factories in Nooriabad and Karachi. This initiative was a collaborated effort with NTS (National Testing Services) and is due to start in the first quarter FY 2019-20 for the roles such as; Machine Operator, Instrument Technician, Mechanical Technician, Mechanical Fitter and Utility Operator.





### Team building

NFL believes in the passion of its highly motivated workforce. With the purpose of enhancing the collaboration and fueling the passion, cross-functional team building excursions were organized off-site at Northern Areas of Pakistan. Connect sessions were arranged with respective MANCOM members to take the employees through our abridged Core Values journey.

### Employee Engagement Survey

Our focus has always been on promoting a conducive, well-connected and a high performing workplace which is why we strongly encourage our employees to engage for success. To further build this spirit, NFL partnered with Mercer to conduct our first-ever Employee Engagement Survey. Competitions were held to encourage maximum response rate. We achieved a 92% staggering response rate which indicates that we are ready to embark on the journey which will maximize the impact of our processes and people.



### Regular Town Halls

Quarterly Town Halls are conducted at the Head Office with live streaming to all local and international locations. The entire NFL Family connects and gets to hear the CEO's vision. Live Q&A session is also held at the end for employees. Hajj balloting is also a part of this engagement session.

### Learning

Learning and Development remains at the core of our commitment to help our people develop and grow. Our Organization Development Roadmap continues to be a key ingredient in accelerating the capability building of our employees. This year's focus has been on functional enhancements as we aim to cultivate an environment where diversity and differences are valued, and every employee has the opportunity to develop skills and talents consistent with our company's values and ambitions.







# OUR MANUFACTURING EXCELLENCE

## GUJRANWALA PLANT

### Capacity Enhancement Projects

In line with company vision and continuous growth, Gujranwala Plant initiated various plant capacity enhancement projects this year which includes extension of recipe packing lines, salt packing line induction, and Ketchup capacity enhancement. These projects have increased more than 100% plant capacity. This year plant has produced 21,326 MT which is 114% higher than last year tonnage i.e., 9,966 MT.

The main project on the plant was the recipe line extension, whose prime objective was to get the maximum freight cost saving through producing more on Gujranwala plant. In this project, Gujranwala plant operation installed two more Cartoning machines (Langens) with 4 VFFS machines for inner packing. This project has not only doubled the plant capacity from 60 MI to 120 MI units per annum but will also give savings of 17Mn Annualized in logistics due to the difference of freight. This new facility has been developed in line with OHSAS and Foods Safety standards.



New Cartoning (Langen) Machine Hall



New VFF machines Hall

### Extension and Upgradation of Warehouse

With the increase in production volume and growth in Gujranwala plant, it has become necessary to extend and upgrade our warehouses facility to support our plant operations. In pursuance of this, we have hired a new warehouse facility adjacent to our factory, which offers us more space, better operational & cost efficiency and racking system as well.



### Successful Completion of ANNUAL Food Safety Surveillance Audit

2-day ANNUAL surveillance audit of Food Safety Management System FSMS 22000 was conducted in April 2019 by United Registrar of Systems (URS). Gujranwala plant cleared this audit successfully. All manufacturing processes and practices were reported in compliance with requirements outlined in its FSMS standards 22000.

### Gujranwala Plant Achieved Highest Global Efficiency & Cost Tracker Champion Awards 2019

This year NFL management has awarded two champion awards to Gujranwala plant in the category of GE - Global Efficiency and Best Cost Tracker Award 2019 based on highest operational efficiency and better overhead cost per ton among all plants.

### SITE

FY '19 has been a dynamic year for the SITE plant, with the salt plant production being transferred to Nooriabad, along with several additions to the product portfolio in the paste section. These additions included Garlic Mayo and Real Mayo variants in the Mayo category, 800ml SKU for the Chinese Range and Chunky Garlic Sauce in the Ketchup and Sauces Category. There was an increase in packaging capacity along with the addition of the Universal Machine to meet quality standards and increase capacity requirements in the 10g and 40g Ketchup, Chilli Garlic and Mayo Category. To cater to seasonal demand for Tomato Ketchup 1KG and 500g SKU, a Preform Pouch Machine from Prepack Lahore was added to the facility.

With the prime focus of adopting World Class Manufacturing Practices, SITE plant has initiated the program of Autonomous Maintenance on our Horizontal Form Fill Machine – MESPAC, in collaboration with MNBEC as our subject expert consultant and trainer. The program includes a cross-functional plant team including Production, Quality Control and Maintenance Department. The team has been certified for Autonomous Maintenance Step 3.





## PORT QASIM

### Automated Carton Packing:

A state-of-the-art European (from Netherlands) automated cartoning line has been installed at the Packing facility in Port Qasim. Commissioning was completed in Q2 2018 and has been functioning full time since then. It brings our biggest production plant into the future as this line has tripled the speed of production along with three and half times the units produced per man hour invested. Ultimately, this modern equipment brings our overheads per packet down by 45% against old manual carton feeders.

### Faster Mango Cutting – Titan Cut:

Project successfully completed before timeline with procurement support for mango cutting seasons 2018-2019 and comprised of 18 machines with 63 major activities.

### New K-Electric 2.5 MW Connection:

Phase-01

Successful energization with new building and power equipment installation.

Phase-02

Successful power distributed to below listed sections.

Planned Load Extension	Load	
Snacks	375	kW
Pin Mill	44	kW
Schutte Mill + ZZ Classifier	150	kW
Ribbon Blender	44	kW
<b>Total</b>	<b>613</b>	<b>kW</b>

Phase-03 (Next Year)

100% Back-up of Captive Power on K-Electric.



## SNACKS UNIT

### Capacity Enhancement:

To meet the nationwide demand of snacks, additional machines are added in production line to double the production capacity and reduce complexity. Previously, either Baked or Fried line could be run at a time due to shared flavoring and packing unit. Post expansion, both lines can be run independently and if needed packing unit of either line can be used with other line to meet smaller SKU demand.

### People Development:

Responsible and empowered operators remain a focal point of Snacks Ops and to bring this into action Product Quality, HSE and Routine Maintenance of machines have been a responsibility of operators since day 1. Taking this to next level, new machines installation and commissioning was done by respective machine operators under supervision of OEM engineers. This initiative gave in-depth understanding to operators and enabled them to deal with breakdowns in shortest possible time.

### Cost Optimization:

This year special focus was to reduce Repair and Maintenance cost of plant. Since all the machines are imported; hence, spare parts and consumables were costing a lot due to exponential increase in exchange rate and duties. Initiatives were taken to develop local vendors with similar or higher quality at competitive cost. Team successfully managed to reduce 58% of R&M cost as compared to last year by localizing dies, blades, flavor pipes etc. Not to mention, local spares are at par with imported ones with equal operational life.

### HSE Initiatives:

- Post guards of racks to protect from lifter hit and back support to avoid collision of pellets from backside
- Top tie of all racks to give extra strength in case of any accident with lifter
- Platform for safe access to ventilation system
- Covering of all open moving parts
- Startup buzzer in roller conveyor to alert workers
- Limit switch on all equipment







## NOORIABAD

### State-of-the-art Salt Processing Plant - Nooriabad 2018-2019

National Foods is among the oldest and well-established brand name in the Branded salt segment, currently generating a revenue of more than a Billion PKR for the Company. The startup of Nooriabad Salt Plant was a landmark achievement as it catered the existing as well as futuristic demands in the category of salt. This year Nooriabad Operations team efficiently run the plant at its rated capacity of 10 Tons per hour with minimal overheads to decrease the overall manufacturing cost per kg of salt segment.



Mr. Abrar Hasan during visit to Nooriabad Salt Plant



### Nooriabad Project Phase III (132 Brine Tank Construction)

Keeping in view the vision of the company, a strategic re-alignment of the sourcing unit is being planned. For that purpose, the acquired un-used land of Nooriabad is planned to accommodate the pickles section whereby the PQ facility will be released of the same ultimately.

Nooriabad Project Phase 3 was a remarkable achievement of Nooriabad Operations team as it assisted in storage of Mangoes for the Mango Cutting season 2018-2019. The Project phase 3 scope included the complete construction of Prefab facility comprising of 132 brine tanks and a record storage of 5 Million kg mangoes were done in just 24 days.





## OUR SUPPLY CHAIN

### Customer Service:

In line with our vision of bringing automation in everyday processes, the Customer Services team, in collaboration with IT, embarked on a journey to bring automation in the distributor ordering process.

Existing systems and Ordering Portal were utilized, and capability was built amongst the sales team and distributors to switch to system-based ordering. 100% conversion of Crystal customers was ensured from manual ordering to system-based ordering, which led to reduced chances of error, orders being placed in accordance with the funds availability, and mobilizing order processing team to utilize their time in value added work.

In accordance with the above conversion, a “rescheduling” process in SAP was also explored utilizing existing system capability, whereby customer-wise priorities were defined in SAP (in accordance with their lead time from the respective warehouse), to automatically allocating stocks among different customers at the push of a button.

This exercise helped in consolidating maximum truck load to the furthest customer thereby reducing transportation cost and improving customer service level.

To improve visibility to distributors regarding funds availability, distributor payment process was revamped. Benefits such as real time funds visibility to customers, and funds blockage against orders yet to be processed were observed after revamping.

Customers can view real time ledger balance and timely arrange for funds prior to placement of orders. This has also helped in avoiding last minute surprises where orders were sent prior to funds availability, resulting in orders not getting processed in SAP.







### Logistics:

In line with the philosophy of having continuous improvement and increased controls in our processes, a major revision was made in the policy and procedure of Sales Return. The focus of the new policy was to make the Sales Return process more robust and effective. Existing secondary sales system was tagged with Claim Management System so as to provide visibility on the type and classification of sales return triggered from every distributor of their market. To remove bias from the process, 3<sup>rd</sup> part auditors are appointed to ensure accuracy of stock receiving and stock disposal.

In addition to the above, several initiatives were taken to bring savings and optimization in the overall Logistics and Warehousing footprint. One such initiative was bringing the LE module in the NFL logistics framework, which has resulted in automatic transfer of costing for every transporter at every route directly into the system instead of manual costing processing. A database for all transporters at all routes is now available in SAP, which is linked with Finance for real time visibility on costs incurred at every shipment made.

Initiative for vehicle and load optimization was also taken where 20 feet vehicles were replaced with 40 feet vehicles to consolidate stocks for several destinations in a single route. This has not only resulted in transportation cost reduction but also paved the way for NFL to contribute towards reduced carbon emission on roads. Space utilization in warehouses were enhanced and racking were installed to accommodate space vertically within the existing warehouse area. These, along with several other small initiatives resulted in a collective saving of approx. PKR 75 million.

### In-trade Quality Intelligence Program:

This year, NFL's Quality Assurance team initiated another step towards continual improvement by introducing In-trade Quality Intelligence (iQi) Program. The purpose is to assess our product quality lying on shelf and how it is perceived by consumers. It is also in line with new version/definition of Quality that is 'to maintain set of conditions on shelf that drift/drive consumers towards our products not once but time and again'.

Through this program, we act as a technical consumer to help in proactively identifying, monitoring & measuring any potential quality defects followed by effective corrective measures through a cross-functional team. It also compares our products to those of our competitors in terms of packaging, aesthetics & quality parameters to identify areas of improvements by visiting different markets at all levels. This program is applicable on our products available at shops, displayed on the shelves as well as shop warehouses.

This is an essential step towards achieving consumer insights and reducing complaints. It directly impacts our brand image/equity and shopper confidence on our categories. Through this program, the team also educates shoppers about handling and storage of our products.

It consists of assessments at the following 3 levels:

- On-Pack Assessment - done without opening & using the pack
- In-Pack Assessment - done after opening the final product/pack but without using it
- In-Use Assessment - done while consuming the product







# BRANDS AND CAMPAIGNS







# MIX IT DIP IT LOVE IT



## MAYO

To create awareness and to strengthen the bond with the consumers, National Mayo communication was launched with a new thematic campaign in January '19 through TV and Social Media. To increase trials of Classic Mayo and Garlic Mayo, wet sampling was done in LMTs in Karachi, Lahore and Islamabad in February.

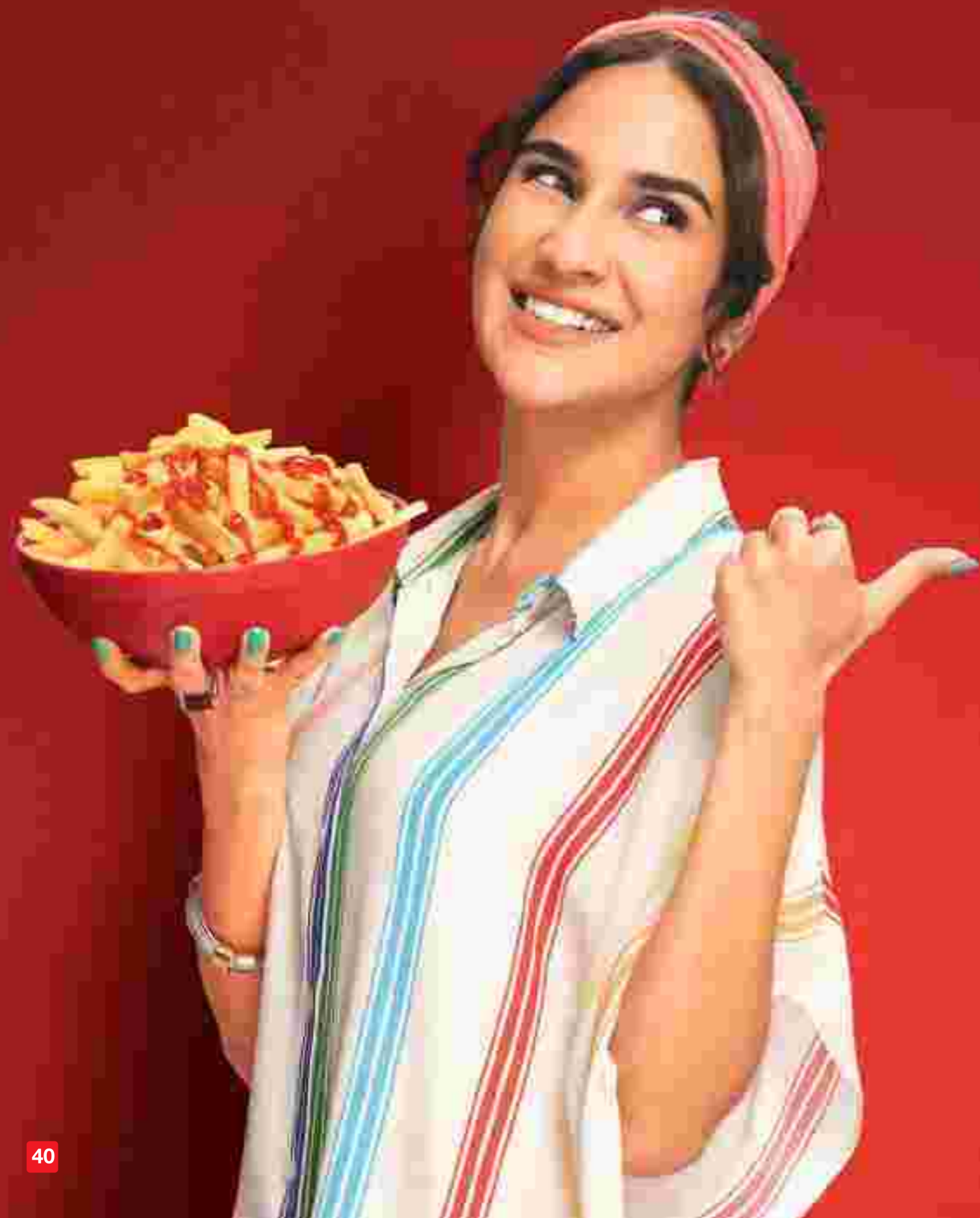
#SquareIt, an innovative and exciting competition was done with National Mayo on Instagram to test the creativity and culinary skills of consumers during the month of March.

A unique activation platform of National Sauce Factory was developed in February to generate consumer engagement and promote National Sauce portfolio i.e. Ketchup & Mayo. In creating awareness and word of mouth, uplift brand imagery and to achieve efficiency in Marketing spends, National Sauce Factory did wonders. The activity was targeted towards children as they are the influencers along with mothers who are the purchase decision makers for these categories.

KEYO - Limited Edition consumer promotion pack was launched in March '19 comprising of National Ketchup & National Mayo for consumers to enjoy their favorite condiment together with a free attractive dip bowl.

*So thick and  
Yummy...*





# KETCHUP

New packaging of National Tomato Ketchup was rolled out in the market in February '19 with contemporary look and feel which not only stood out on shelf but also helped in image upliftment giving it a more youthful personality. Along with this, a superior formulation of Chilli Garlic Sauce was launched in February '19.

Door to door selling and town storming activity was done from February to April in Faisalabad, Sargodha, Multan, Sahiwal and Bahawalpur to assist and boost sales against competition.

National Ketchup being the first brand to build emotional differentiation in the category and to further leverage the already successful platform of 'National Ketchup Zaroori', launched a thematic campaign in April which was then further leveraged on digital.

To create TOM during Ramazan, sampling and first-ever steam emitting billboards were executed in May to generate trials by conducting wet trials at different eateries in Karachi, Lahore, Islamabad, Gujranwala, Sargodha, Peshawar and Faisalabad.

To appeal consumers in the month of Ramazan, a CP was launched with National Chaat Masala. Another lucrative consumer promotion was done by giving out Free lunch box and Biryani Masala to boost sales during Bakra Eid Season.

*Biryani mood se hogi doori*  
**NATIONAL  
KETCHUP  
ZAROORI**







# IODIZED Refined Salt



## SALT

National Salt is the choice for millions of households across Pakistan. We are market leaders in the category and are considered to be the pioneers. To further our reach we are pleased to announce the launch of our most affordable SKU which will offer 250gms at a golden price point of PKR 10. Keeping in view the requirements to further expand our user base, we aim to tap in to the lower SEC & rural markets by launching an affordable product for all those households who have limited purchasing power. The newest SKU was launched in the month of April '19 and was supported through trade collateral along with a strong digital push.

A TV campaign for Salt was run during the buying cycles of January, February & March under the umbrella of 'Nayi Soch Ke Naye Zaiqe'. The copy highlighted the functional aspects along with emphasis on the superior qualities - 'Purity & Free Flow'. Covering major TV networks on the entertainment & news channels along with social media platforms.

جوڑے رکھے  
سب بی ذائقے





## RECIPE MIXES

Various marketing and consumer engagement activities helped the Recipe Mixes Category not only achieve & exceed its targets but also attain excellence in go to market strategy deployments. With evolving gender roles and modernization, it became imperative to remain relevant with changing consumer behaviors by evolving our traditional brand image. The brand underwent a directional change with this year's thematic campaign – "Nayi Soch Ke Naye Zaiqay". The thematic platform was leveraged further throughout the year with tactical campaign in relevant seasons for Fish, Haleem etc.

On ground interventions were also made to maximize consumer and trade engagements via piloting geography specific initiatives - Karachi and KPK Attack Plan. Overwhelming response of the mentioned plans have made it a strong pillar to further build up in next year as well.

Following the philosophy of taking step-changing digital initiatives, Made Easy platform was launched. The purpose of the platform is to provide ease and convenience to consumer's lives in creative food fusions and unique concoctions by using National. In only a short span of time, the platform has gotten positive response, looking at which it is destined to become a community of food aficionados; who love to cook, relish and share food!

ایک مصالحہ، کئی پکوان!





چٹخاروں  
چھکاچھک



# PICKLES

To build salience and increase pickle consumption, the pickle category was promoted via digital media. One of the bigger initiatives in FY '19 was Made Easy, a digital platform which encouraged consumers to try out new recipes using NFL products. Pickles were an integral part of it, whereby different recipes involving pickles were promoted online. Some of the dishes included Achari Daal Chawal and Achari Pav Bhaji etc.

Furthermore, in-store visibility for Pickles was ensured via POS material. Additionally, on the innovation front, new variants and SKUs are also in the work, which will be launched in the upcoming year.







# معیاری اجزاء، خالص ذائقہ

## PLAIN SPICES

We are pleased to announce the extension of our LUP range through the launch of Black Pepper Powder and Garam Masala Powder priced at PKR 10 and PKR 15 respectively. The entire LUP range is designed for consumption in the rural segment as this provides high quality spices & ingredients at an affordable price point. With this range we aim to cater our rural audience whilst increasing the brand penetration.

The Plain Spices category was supported throughout the year with digital push along with POS material and MT activations in Karachi. We supported the ban on open spices by creating awareness on the hazards of using them, through educational content on our social media platforms.







*Taisey  
dil  
chahey*



# DESSERTS

The dessert category was active on digital media, being promoted under the broader NFL banner and was also actively involved with Made Easy, a digital platform which encouraged consumers to try out new recipes using NFL products. Interesting recipes such as Zafrani Coconut Kheer, Tiramisu Cake & Sawayyan Bites were launched via Made Easy. This collaboration will further build recall and increase awareness for NFL desserts.







## KARACHI EATS 2019

The idea was to create noise around the biggest food festival of the town. Calling out all the foodies in Karachi to come and enjoy the variety of food at National Foods stall at Karachi Eat Food Festival 2019.

The stall had a footfall of 7,865 people in three days and we had sales of 801,850. This year the menu was changed to contemporary street food fused with National product range. It was a hit especially the Shawarma Tacos and Chatpata Bun Kabab. The biryani vending machine was a major buzz at NFL's stall, to get the biryani people just had to say National Biryani and voila! Out came the biryani. 1,950 biryani was sampled through vending machine.

The stall due to its unique cuisine and design aesthetics was trending on twitter for two days. It was talked about on major social media platforms like Parhlo, Brandsynario, Have love will travel and were storied by various food bloggers.







# TECHNOLOGICAL DEVELOPMENTS

## WAN Network Redundancy:

NFL has ensured resiliency in our network to avoid failure, such that every component from the core network to edge network has end-to-end redundancy.

NFL IT has deployed redundant WAN routers in our edge network which has strengthened connectivity uptime and reduced the chances of network downtime. The network has been upgraded in such a manner whereby every component is fully redundant, and in case of any equipment failure, the network traffic will seamlessly have an alternate route to reach its destination, whether it is Cloud (SAP) or remote locations (Video Con, IPT or CCTV).

## Logistics Execution – SAP Shipment Module:

The SAP Logistics Execution (LE) Module was implemented to map the logistical processes of the company. Some of the major benefits after implementation include:

- Freight Efficiency – Loading ability by Volume/Loading ability by Weight/Km Travelled/cost/ton/case
- Cost Visibility – Live System update on services Receipt
- Cost Control – Compliance to Contracts/Pricing
- Auto Accrual System – 100% accuracy
- Efficient, end-to-end order and process management
- Efficient logistics and fulfilment processes

## SAP FIORI:

SAP FIORI was implemented at NFL whereby Quality Inspection results are being recorded directly in SAP through the FIORI mobile app. The current and historical Inspection Records can be conveniently viewed at any time via SAP Reports. Further benefits include:

- Faster, efficient and automated Quality Inspection process
- Paperless inspection process recording
- System integration of inspection characteristics
- Storage of Inspection pictures as evidence

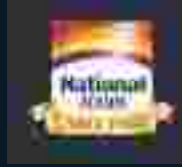
## Comprehensive Dashboards for Supply Chain, Operations and QC Function

Real-time Tableau based Dashboards have empowered strategic & operational management teams to make key business decisions based on data driven analytics, providing deep insights into all areas of operations. NFL business is Data driven and delivers actionable visual insights which give competitive advantage to all business functions.

Through effective use of Dashboards, ISC teams have been able to realize quick decision making whereby they have ultimately improved their productivity, significantly reduced production wastages & reduced operational & production losses.

Visual analytics include global best practice KPI monitoring processes such as Order vs Delivery (Order losses & Service level analysis at National, Regional, Distributor, Category & SKU levels), Quality Management (Releasing efficiency Analysis, Notifications Analysis & Undetectable Defects Analysis at all levels), Procurement (Buying Analysis, Actual vs Budget rate variance analysis, OTIF & Rejection analysis, Kraljic Model analysis), Operational KPIs (Automation of Operational efficiencies monitoring like L.U., G.E. & O.E.E., along with operational delays & losses analysis).





### **Demand Based Replenishment Model (DBRS)**

The DBRS model aims to transform and turnaround our existing methods of working through real time data analysis, leading to improved decision making, enhanced customer service levels, better assortment of products at the distributor's end, improved execution on-ground and optimized cost.

DBRS removes manual intervention from the ordering process and calculates replenishment at a distributor level against a defined algorithm where the actual sales performance of the distributor is considered. DBRS builds up distributor confidence by considering them as NFL strategic Business Partners and makes optimum use of their inventory investment.

### **Sopheon Accolade – Innovation Management Solution**

Sopheon and Accolade are a “Business Transformation enabler” for National Foods, that help achieve our goals of better strategy execution and collaboration framework for growth.

Previously, the innovation projects were manually maintained and physically approved by all stakeholders, whereby MS Excel sheets were maintained without proper version controls. This manual method was erroneous, lacked tracking, and was time consuming. The business realized the need for a robust, digital, database driven Portfolio/Project Management system which is a Stage Gate system primarily for New Product & Process Development (including line extensions).

The Sopheon project provides software-based Project execution and Portfolio control against KPIs to improve decision making. Portfolio prioritization helps improve margins, resource usage, Category/Products generation and Planning of the Market Roadmap.

The project has been named ‘Catalyst’ internally and will support NFL teams to make informed decision through careful analyses of each ‘stage-gate’. This will help enable transparency, documents storage, feedback recording, scorecards, and alignment across cross-functional teams. This will, in turn, ensure the best use of company resources and manage the complexities associated with developing new products.



### **Workflows System**

Workflow forms are designed to introduce an efficient and standard process to track and monitor all requests in an organized, timely and systematic manner. The following strategic Workflows were implemented this year:

#### **Idea Bank:**

Idea Bank is a tool to provide equal opportunity to every employee for presenting their ideas and involve everyone to implement LEAN. It is used to manage both the gathering and storage of ideas from all employees, evaluate these ideas and shortlist them for potential use. The process is designed to improve efficiency, quality, and the optimization of resources. In addition it is used to help eliminate wastage and change materials (both raw & packaging) which ultimately results in cost saving.

#### **PJP and TA-DA:**

Permanent Journey Plan and Travel Allowance – Daily Allowances were automated to eliminate manual excel based working. The aim was to minimize the lengthy process and time involved in the verification of approvals & reimbursement of high-volume claims generated by the Sales teams.

#### **Petty Cash:**

Petty cash workflow provides an automated and controlled method to manage petty cash accounts and reduce associated cash handling risks. The automation enhances visibility and control over approvals and ensures documentation for SAP reconciliation.







# INNOVATION, RESEARCH & DEVELOPMENT

## Stage-Gate NPD Process

Innovation is one of the fundamental corporate pillars of National Foods deeply embedded in the company's roots and culture. Following suit of the Founder's Philosophy, the Company invested in technological enablers of Innovation. National Foods adopted the Stage Gate model of governance for the very first time partnering with a global leader of Innovation Management Solutions, Sopheon through their signature product "Accolade Express".

The innovation management software is Stage-Gate® certified and connects people and daily workstreams across departments and functions. This cross-functional collaboration and synchronization results in trusted, timely data for faster, better, and more dynamic decision making for New Product Development.

This project was titled Catalyst with the prime objective of picking the best Innovation - NPD Bets and then executing them with excellence. A combination of Stage Gate, Project Management, Portfolio reviews coupled with software solution enables:

- Reduction in Time to Market. More revenues faster
- Cost avoidance from Products or Projects that are dismissed from the Market after launch. Stage Gate approach allows to kill early the low value or too risky projects
- Improved Innovation mix (New-to-the-World vs Line Extension)
- Greater throughput of products - more launches with proportionally fewer resources
- Better success rate for new products launched
- Greater visibility and quick decision-based execution

NFL aims to achieve new heights of business performance and innovation excellence through this collaboration with Sopheon.



## Food Service Oriented Developments

In line with the growing trends of fast-food chains, it was realized that we need targeted products to grow in this segment. The following bulk products have been introduced after several engagements with the Chefs, restaurant owners and lead customers:



These products are commonly used at the backend (kitchen) as well as served with the meals in front of consumers. Product and process design was fundamental to get the right product to the market challenging the market share of other players dominating this segment.



### RURAL FOCUS

Rural segment was identified as a strategic priority where the innovations team extended our range of Spices (Black Pepper and Garam Masala) as well as Salt at affordable and attractive price points.



An all-in-one Curry solution was developed to meet the everyday needs of a household as it can be conveniently used to cook vegetables, lentils or even meat gravies. Again, the cost proposition is highly attractive given the convenience and multi-purpose features that the product offers.

### TACTICAL INNOVATIONS

Some of the tactical Innovations launched this year include:

- Fried Chops Masala at Bari Eid
- Chinese Sauces in bigger SKUs of 800ml in PET bottles (Vinegar, Soya and Chilli) to capture the winter season
- Line extension of Jams in the 200g SKU (Pineapple, Strawberry and Blackcurrant) to offer more choices to the consumers
- Garlic Mayo to compliment the Mayonnaise campaign and gain shelf share
- Some attractive Consumer Offers such as KEYO (Ketchup and Mayo combinations)



### COMPLIANCE AND ETHICS

National Foods follows and adheres to the applicable food standards and the situation has been very tense with emerging multiple regulatory bodies such as Punjab Food Authority, Sindh Food Authority, KPK Food Authority, PSQCA and others. Efforts were made to align these standards for ease of business across provincial territories and the Company had to make some tough decisions such as removing MSG from products while replacing them with suitable alternatives, redesigning and updating the packaging information, inventory management and other related challenges in order to streamline product offerings within compliance boundaries.





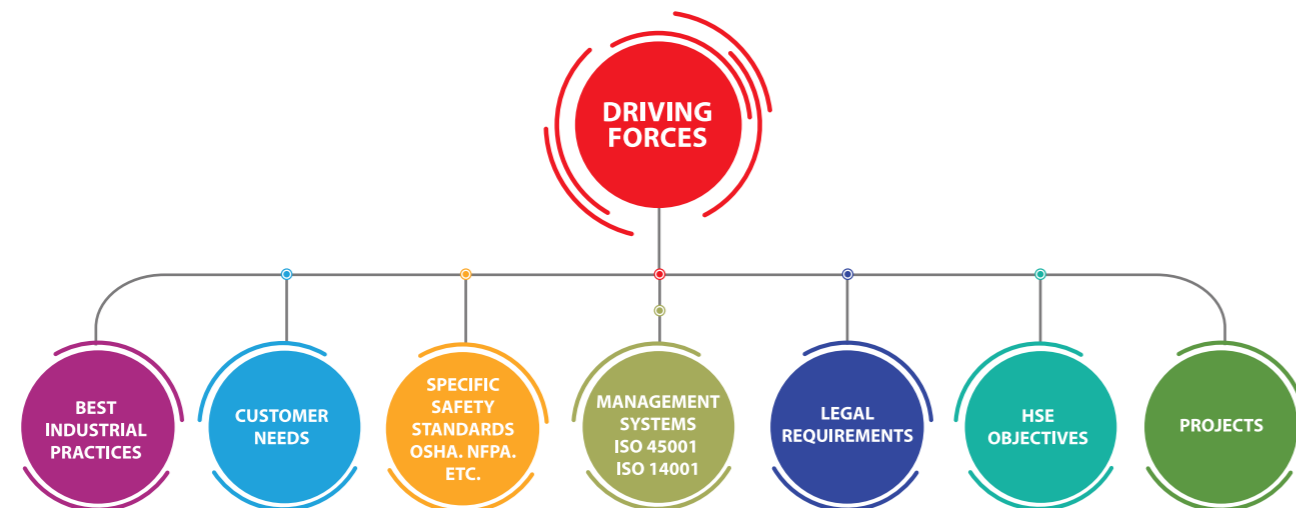
# HEALTH, SAFETY & ENVIRONMENT

## Occupational Health & Safety

NFL believes in effective and efficient management of its resources, most valuable of which are Human Resources. While considering manpower as real assets, NFL has made it clear that Health, Safety, Environment & Welfare of its employees (along with personnel associated with NFL products and operations) are one of its top priorities.

HSE is deeply embedded in our business culture as the group continues to evolve in this important area. Every individual of the company has exceptionally contributed in fostering a positive HSE culture. Top Management's commitment, employee friendly HR policies, increased safety awareness amongst peers, timely reporting of hazards & incidents and non-punitive approaches towards those who come forward with information on hazards/incidents, have been the cornerstones of the overall success in this domain.

NFL understands that in order to acquire excellence in safety, it is rudimentary that in addition to implementation of managements system standards, we also continue to take a lead in other associated areas. Management system standards and associated building blocks reciprocate each other to form an essential driving force for the implementation of a robust safety culture.



NFL HSE Professionals follow a strict training schedule. Our trainings are predominantly performed in the classroom and on-floor environment for both Management and Non-Management staff. This year NFL completed more than 2000 training hours of Safety against the planned 1500 Hours. Also, hazard hunting strategy has identified 5573 hazards across all the factories which has helped reduce number of minor and major events. For increased employee engagement, we have fully established interactive forums for both monthly D-level and quarterly B-level meetings.







Output from these forums along with Total Recordable Incident Rate (TRIR) mainly contribute towards assessment of HSE performance of each location/unit and based on HSE performance of each location, and the highest performing location is rewarded with the 'Safety Champions' award.

Work related diseases are closely monitored and are taken care of, especially during risk assessment and medical assessment at induction and surveillance stages. Professional medical staff, dispensary and fully equipped ambulance (24/7) are deployed at all the units.

Since we believe in engineering controls rather than just relying on PPEs, our prime focus remains on risk elimination, reduction, isolation and control through provision of guards, interlocking devices and replacement with safer means.

In addition, NFL has embarked upon the journey to transform its already acquired standard of OHSAS 18001 into newly introduced standard of ISO 45001 on Occupational Health & Safety Management System.



### Environmental Protection

Strict Preventive Maintenance schedule is in place to ensure exhaust emission values meet the legal requirements. Environmental monitoring by independent labs is carried out on regular intervals to ensure compliance of all critical parameters i.e. ambient air, vehicle/exhaust emissions, noise, lux and drinking water. A proper waste management system is in place as hazardous and non-hazardous waste is managed as per legal requirement through EPA approved vendors.

In compliance with environmental and sustainability goals, NFL has installed a Primary treatment plant worth Rs. 5.5 million at Nooriabad Factory and its product water is being used for horticultural activities.

Similarly, a project for the construction of state-of-the-art effluent Treatment Plant using Membrane Bioreactor (MBR) technology is planned shortly. The estimated cost of this project is Rs. 22 million.







## INTERNATIONAL DIVISION

In FY '19, the focus of International Division was towards Demand Driven Strategy. In this regard corrections were made in how the International business has been operating in previous years. Distributor wise changes were initiated in key markets of North America, Middle East and Europe to improve our network coverage. Some distributors were over-loaded with large territories in North America, dividing their territories and adding new distributors to ensure our product presence in markets.

Secondary Sales in Middle East remained stagnant as compared to last year due to economic recession in consumer market.

Various activities were done in North American market to enhance our visibility in the market. Focus largely remained on BTL activities like wet sampling, taste trails, in store merchandising & window branding.

Just like previous years, National Foods participated in Gulf Foods 2019 exhibition held in Dubai. This global event provided the opportunity to engage with our existing customers while simultaneously interacting with potential customers.

Throughout the 5-day event, National Foods sampled its major products including Bombay Biryani, Daighi Danedar Haleem, Pickles, Sauces, Ketchup, and Pulao to visitors and the response was quite overwhelming.

During the peak season of Ramazan, special consumer promotions were given in North America, UK & Middle East markets to increase brand awareness and boost our sales.

Continuing our tradition, National Foods participated in various cultural and ethnic events across the globe mainly in USA, Canada, UK, UAE, Afghanistan & Australia.

A couple of additions were made in the recipe category including Pulao Biryani and Chicken 65.







## Your Recipe For Success

- Add a cup full of **Ownership**
- Blend it with **Teamwork**
- Pour in a can of **Customer Centricism**
- Coat it with **Excellence in Execution**
- Sprinkle a handful of **Passion**



# ORGANIZATIONAL CHART

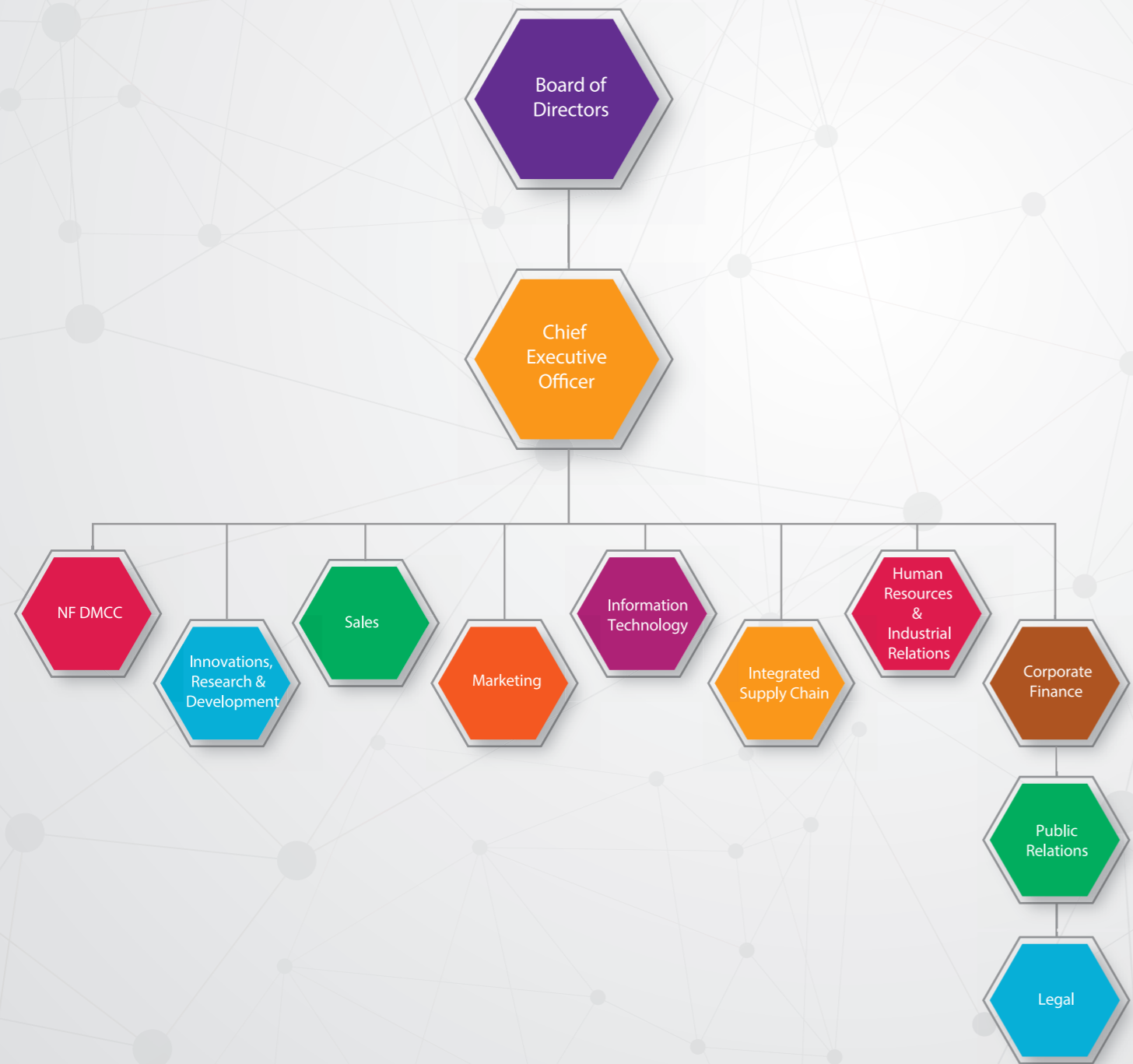
## Corporate Organizational Chart







## NFL Organizational Chart



## NFL Subsidiaries Organizational Chart





# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Chief Executive Officer
Mr. Towfiq H. Chinoy	Director
Mr. Ehsan A. Malik	Director
Mrs. Noreen Hasan	Director
Mrs. Saadia Naveed	Director
Mr. Zahid Majeed	Director

## AUDIT COMMITTEE

Mr. Ehsan A. Malik	Chairman
Mrs. Noreen Hasan	Member
Mrs. Saadia Naveed	Member
Mr. Zahid Majeed	Member

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Towfiq H. Chinoy	Chairman
Mr. Abrar Hasan	Member
Mr. Ehsan A. Malik	Member
Mr. Zahid Majeed	Member

## DIRECTOR CORPORATE FINANCE / CHIEF FINANCIAL OFFICER

Mr. Syed Farhan Ali Rizvi

## COMPANY SECRETARY

Mr. Fazal ur Rehman Hajano

## HEAD OF INTERNAL AUDIT AND SECRETARY AUDIT COMMITTEE

Mr. Shahid Hussain

## INTERNAL AUDITORS

Messrs. Ernst & Young Ford Rhodes & Co., Chartered Accountants

## COMPANY MANAGEMENT

Mr. Abrar Hasan	Chief Executive Officer
Mr. Syed Farhan Ali Rizvi	Director Corporate Finance
Ms. Saira A. Khan	Director HR & IR
Mr. Shakaib Arif	Director Integrated Supply Chain
Mr. Aejaz Abbas Basrai	Director Strategy & Marketing & Chief Operating Officer NF DMCC

Mr. Hasan Sarwat  
Dr. Fayyaz Ashraf  
Mr. Syed Zeeshan Ali

Director Sales  
Head of Innovations, Research & Development  
Head of Information Technology

## AUDITORS

Messrs. KPMG Taseer Hadi  
& Co. Chartered Accountants

Shaikh Sultan Trust Building No. 2  
Beaumont Road, Karachi.

## SHARE REGISTRATION OFFICE

CDC Share Registrar  
Services Limited

CDC House, 99-B, Block B, S.M.C.H.S.,  
Main Shahrah-e-Faisal, Karachi-74400.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326031

## COMPANY BANKS

Bank Al Habib Limited  
Bank Alfalah Limited  
(Islamic Banking Group)  
National Bank of Pakistan  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited

Meezan Bank Limited  
United Bank Limited  
Habib Bank AG Zurich  
MCB Dubai  
Toronto Dominion Canada Trust Bank  
Bank of Montreal  
Business Development Bank of Canada  
Allied Bank Limited

## REGISTERED OFFICE

12/CL-6 Claremont Road, Civil Lines, Karachi-75530  
Phone: (92-21) 38402022 & 36490029  
Fax: (92-21) 35670996

## SITE PLANT

F-160/C, F-133, S.I.T.E., Karachi.  
Phone: 021-3257-7707 – 10, Fax: 021-3257-2217  
Email Address: info@nfoods.com

## PORT QASIM PLANT

A-13, North Western Industrial Zone, Bin Qasim, Karachi.  
Phone: 021-3475-0373 – 7

## GUJRANWALA PLANT

53-KM G.T. Road, Chainwala Mord Amanabad,  
Gujranwala near Gujranwala Kamoki Tool Plaza.  
Phone: 055-3409560, 3409660

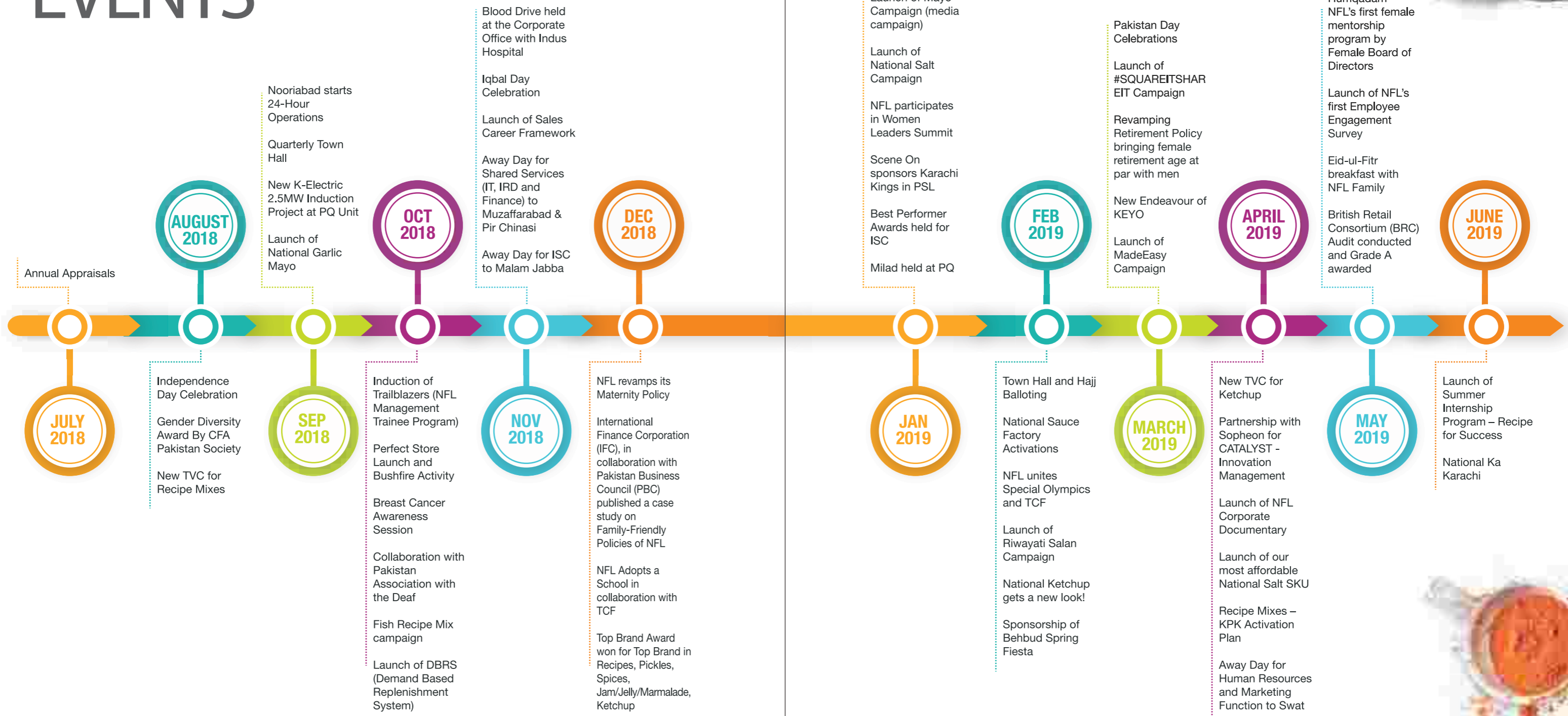
## NOORIABAD PLANT

A 393 Nooriabad Industrial Estate,  
Nooriabad, Karachi.  
Phone: 03000335287





# CALENDAR OF EVENTS





## CEO'S MESSAGE

### **Dear Shareholders,**

The year 2018-2019 has been economically challenging for Pakistan. Several factors contributed in increasing the cost of doing business, namely increase in CPI Inflation, KIBOR rates, currency devaluation, faltering consumer demands and shrinking disposable income. The uncertainty of tax reforms and revenue collection target gaps also impacted consumer and investor confidence. Whilst the steps taken by the government are towards documentation of economy and long-term self-sustainability of the country, the above indicators have slowed down domestic consumption.

The industrial and commercial sectors in Pakistan are currently facing tremendous pressure due to the economic slow-down in the country, augmented by foreign debt-burden and current account deficit. Industry awaits to see the impact of much-needed reforms suggested by the new government. NFL believes that the business community can play a pivotal role in overcoming these national challenges within the next few years, through cohesive efforts and equitable tax-contributions. Regardless of the economic situation, NFL has always maintained complete transparency and prudence, while adhering to global best practices.

NFL adopted a dynamic strategy to maintain its growth-rate. Through Inspiring New Traditions, streamlining operations and investing into human capital, we were able to meet the evolving needs of the consumers. We are continuing to venture into emerging market segments and exploring local and international avenues for expansion.

Through our partnership with Sopheon - Innovation Management Solution, we have enabled faster decision-making all over the organization. Another innovative solution deployed at NFL is the 'Demand-Based Replenishment System' (DBRS) which helped control costs and improve efficiency by bringing us at par with the multinationals.

Our new facility at Nooriabad began round-the-clock production in September 2018, while a new 2.5MW Induction Project was also installed at our Port Qasim unit. NFL has launched resourceful initiatives to train and empower its employees, to increase gender diversity, encourage female employees to break the glass ceiling and develop leaders for a brighter future.





As a pioneer in the food industry, NFL has established the highest benchmarks for quality and customer-care, while still striving to raise standards with each passing year. It has inspired the whole industry to succeed by producing healthier, more nutritious and safer food products to ensure the well-being of their consumers. Our Founders' Philosophy focuses on fair competition and strict compliance to all safety regulations and legal procedures, at every level. As a result, NFL has won numerous accolades over the years, including the 'Top Brand Award' in the 2018 Brand Elections.

We successfully conducted the British Retail Consortium (BRC) Audit for the first time, which is a renowned certification in the food industry. Due to our high-quality standards, we received Grade A in the audit and have passed a milestone in the history of the Company.

In terms of New Product Development, we successfully launched National Garlic Mayo which has received positive feedback in terms of thickness and unique rich taste. The launch of Perfect Stores initiative has brought us at par with the multinational food companies of the world. Our Platinum sponsorship of Karachi Kings through Scene On gave us tremendous exposure of the snack brand. This was done in order to further highlight the visibility of our new snack brand of Scene On, which is currently exclusively available in Karachi. The true spirit of Pakistan Super League and cricket enthusiasm was a sight to see. An informative Corporate Documentary was also produced to highlight the state-of-the-art facilities and high-quality products of NFL. The Documentary is a true depiction of who we are and how we contribute to the society.

### **Our People – Our Strength**

At NFL we strongly believe that our employees are our most valuable asset. We recently conducted our first-ever Employee Engagement Survey by a specialized third-party which has maintained the highest level of anonymity while gauging the responses of our employees. We have launched Sales Career Framework which works on Talent Management of the entire Sales Function. We have worked very diligently to harness the knowledge and skills of our employees by focusing on internal movements and job rotations across all Functions. As a result, we now have highly efficient, KPI-focused teams that are delivering great results. We are delighted to share that we recently revamped our Retirement Policy to bring the female retirement age at par with men, and our revised Maternity Policy is offering greater comfort for the working mothers by extending the leave by a month. The new cohort of Management Trainee Program is now branded as Trailblazers who have been selected after a rigorous screening process. Our Summer Internships offer valuable, project-based learning opportunities for the fresh talent.

### **Sustainability**

Social responsibility is the cornerstone of NFL's corporate philosophy. Our sustainable initiatives promise economic sustainability, livelihood opportunities, better health, quality education, women-empowerment, environmental protection, energy-conservation and other reforms which have been recognized at many global forums. More recently, the International Finance Corporation (IFC) published a case study on our family-friendly policies which has brought our UN SDG 5 agenda in the international spotlight. NFL has adopted several family-friendly policies such as an on-site daycare

facility, pick and drop for female employees, flexible working hours and extended medical allowances. As a result, the share of women in the workforce has increased by 65 percent and 117 percent in management. This year also led us to receive the Gender Diversity Award by the prestigious CFA Society Pakistan.

Our first-ever female mentorship program was initiated this year. It is called Humqadam and is conducted by the 2 female Board of Directors of NFL. By providing female employees with a platform to interact with female members of the Board of Directors, the initiative aims at not only raising awareness on women's needs and rights but also to build their confidence and leadership skills.

Other prominent activities include Breast Cancer Awareness sessions, supporting Special Olympics and Pakistan Association of the Deaf, Blood-Donation campaign with the Indus Hospital and active participation in Women Leaders Summit to highlight the diversity agenda. In our quest to impart Quality Education, we joined hands with TCF for their Adopt a School Program, through which we adopted a secondary school in Baldia Town, near our factory at SITE. The school has 53% female students who are outshining their male counterparts in education as well as extra-curriculars.

### **Future Outlook & Challenges**

The challenges for the coming financial year would mainly be to tackle the uncertainty of managing rising inflation and devaluing currency brought about by the structural reforms of the new government. While the company will pursue a sustained strategy of managed consolidation but at the same time find avenues of growth through opportunities that we can invest in.

Our confidence in the tremendous potential of Pakistan's economy influences our large-scale investments. The company will use these investments and enhanced capacities to drive economies of scale which can be passed on to the consumer in this much-needed time of inflation. The company continues to work in enhancement of revenue-based channels and further sustained investments in Rural and Food Services will bring enhanced growth opportunities for next year. NFL has several effective strategies in place to turn challenges into opportunities, which can be realigned to cope with a rapidly evolving economic climate. We hope to create further value for our shareholders through these effective strategies in the future. The Company will continue to work with Institutions and the Government to assist in bringing Pakistan's economy at fast track.

In conclusion, I would like to express my gratitude to our human capital, which is the driving force behind the company's success. The Management Committee is dedicated to ensuring the well-being of our workforce, to maintain optimum performance in the future. By investing in our people, we will ensure competitiveness in every sphere, to promise unmatched quality of customer care, while delivering products and services that can consistently exceed the community's expectations.

**Abrar Hasan**  
Chief Executive Officer



## DIRECTORS' PROFILE



**MR. ABDUL MAJEED**  
Chairman

Mr. Abdul Majeed is Founder, Director and Chairman of National Foods Limited and Associated Textile Consultants (Pvt.) Ltd. He is also the Chairman of Nazaria-e-Pakistan Trust, Sindh – a chapter of its counterpart in Lahore.

Today, in addition to playing a vital role in the establishment of National Foods Limited as leading food company in Pakistan, he is also the Chancellor of Textile Institute of Pakistan and Member of the Board of Governors of National Textile University, Faisalabad.

Mr. Abdul Majeed has served as a member of the Federal Textile Board and the Engineering Development Board, Government of Pakistan.

His experiences have been diverse from the very beginning, adding to the depth of what he offers as a key leader at National Foods Limited. After graduating from the F.C. College, (a Chartered University) Lahore with a B.Sc. in Physics and Mathematics, he was selected by the British Council

for Higher Studies in Textile Engineering and completed B.Sc. (Hons.) in Technology from Manchester University in 1959.

He is keenly interested in innovation and is pivotal in leading the R&D team at NFL. His other interests and affiliations range from serving in the Rotary District 3270 in different capacities as well as being active on social forums. He is the Vice President of Alumni Association of F.C. College, Lahore, (A Chartered University).

Mr. Abdul Majeed is a former Board Member of Pakistan Institute of Management, Karachi and the Society for the promotion of Arabic, Karachi.

He is a life member of the Arts Council, Karachi and a professional member of World Future Society, Bethesda, USA, along with being a Member of the International Geosynthetic Society, based in the USA. Mr. Abdul Majeed is a believer in cultural progression and community development.



**MR. ABRAR HASAN**  
Chief Executive Officer

Mr. Abrar Hasan has been associated with National Foods Limited since 1993, where he was later appointed as Chief Executive by the Board of Directors in the year 2000. Under his inspirational leadership and proficient operations management skills, NFL has transformed from a simple recipe

producer to a multi-category food company. Prior to his joining NFL, Mr. Abrar Hasan was Plant Director at Precision Rubber Products Limited, where he was responsible for overseeing production and manufacturing management. Mr. Abrar Hasan with his extensive experience and in-depth knowledge has set examples and inspired the NFL team to embrace new technology, discover upcoming marketing trends and invest in human resource development companywide. He is truly the driving force behind his team of skilled professionals at NFL.

Mr. Abrar Hasan graduated with a bachelor's Degree in Industrial Management with a minor in Industrial Engineering from Purdue University, Indiana, USA.



**MR. ZAHID MAJEED**  
Director

Mr. Zahid Majeed joined National Foods Limited in 1987 and pioneered its transformation from a small food enterprise into a leading food brand in Pakistan. Since then he has served in various capacities at NFL from heading the Corporate Marketing function to most recently establishing the International Business subsidiary, National Foods DMCC. He also introduced the concept of sustainability by establishing a Corporate Social Responsibility (CSR) platform at NFL.

Mr. Zahid Majeed played a significant role in initiating a Public-Private Partnership with UNICEF to launch the first Iodized Salt in the mid 1990's under the CSR umbrella along with various other education, health and nutrition initiatives with focused efforts to address women's empowerment.

He is the CEO of Associated Textile Consultants (Pvt.) Limited, the Group's Holding Company, and heads the Textile, Water Sustainability projects and other investments for the group.

Mr. Zahid Majeed studied Philosophy, Politics and Economics at Magdalen College, Oxford University and later acquired a Degree in Textile Technology at University of New South Wales, Australia. Mr. Zahid Majeed is also a certified Director from the Institute of Directors (IoD), London, an International Certification that proves his commitment to the highest standards of Corporate Governance.



**MRS. NOREEN HASAN**  
Director

Mrs. Noreen Hasan graduated in 1991 after completing her bachelor's Degree with HONS in "Medieval and Modern World History" from the University of Birmingham, UK during which she was awarded for her dissertation on "The Guatemalan Crisis of 1956 and Anglo-American Relations".





Mrs. Hasan's experience is well focused on CSR and philanthropic activities. Her present involvement includes activities for the "Children's Cancer Foundation Pakistan Trust". She has actively organized and raised funds on a continuous basis for the Trust which is now affiliated with the Indus Hospital to increase sustainability and awareness. On a smaller scale, Mrs. Hasan has also been involved in various other charity groups some of which include financially supporting the Education and Children's Health Organization (ECHO) Foundations in Ghara and sponsoring underprivileged children for a school in Rashidabad.



**MR. TOWFIQ H. CHINYOY**

Director

Mr. Towfiq Habib Chinoy is an Advisor/Director with extensive professional experience and significant executive leadership accomplishments in business and philanthropy and is also known as a pioneer in the steel industry and has been associated with International Industries Limited (IIL), since 1964 from where he retired in August 2011, after having served as its Managing Director for thirty-seven (37) years, thus, laying a strong foundation and impeccable ethical reputation for IIL in the steel industry. He founded International Steel Limited (ISL) in 2007, where he served as Managing Director until 2015, which is a state-of-the-art modern automated factory and is currently serving as an Executive Director on ISL's board since 22<sup>nd</sup> November, 2011 and as Advisor to both, IIL & ISL.

His contribution to all companies on whose boards he serves is that he possesses strong diplomatic skills and a natural affinity for cultivating relationships and persuading convening facilitating and building consensus among diverse individuals. Over his long career has applied qualities of integrity credibility and a passion for progress to strategic governance efforts. He is currently serving as a non-executive Chairman of both Jubilee General Insurance Company Ltd. and Packages Ltd., He is also a Director of the National Foods Limited, Trustee of the Habib University Foundation and Mohatta Palace Gallery Trust.

Mr. Chinoy has served on the Advisory Boards of the Ministry of Communications, Engineering Development Board and Port Qasim Authority Government of Pakistan. He has also been Chairman of Pakistan Cables Ltd., and PICIC Commercial Bank Ltd., Vice Chairman of the Pakistan Business Council and a Director of National Refinery Ltd., Linde Pakistan Ltd., Jubilee Life Insurance Co. Ltd., and the Pakistan Centre for Philanthropy.



**MR. EHSAN ALI MALIK**

Director

Ehsan Ali Malik is the Chief Executive Officer of Pakistan Business Council (PBC), a research-based business advocacy body representing the leading businesses in Pakistan, including 24 multinational companies from 12 countries.

PBC's objective is to lobby for the transformation of policies and operating environment to achieve sustainable growth, employment and exports.

Prior to joining PBC in January 2016, Ehsan was the Chief Executive Officer of Unilever Pakistan for nine years, a period in which the business quadrupled in size. In a 24 years' career with Unilever, Ehsan served as CEO of Unilever Sri Lanka, led the consolidation of Unilever's regional businesses in Egypt, Lebanon, Jordan and Syria and spent several years in the head office in the UK. Before joining Unilever in 1991, Ehsan worked for a Pakistani conglomerate with interests in media, pharmaceuticals, hotels, tractor assembly and oil lubricants in partnership with Wyeth Laboratories, Intercontinental Hotel Corporation, Ford and Gulf Oil.

Ehsan is Member of the Board of Directors of Abbott Laboratories Pakistan Limited, Gul Ahmed Textiles Limited and International Industries Limited.

A fellow of the Institute of Chartered Accountants of England and Wales, Ehsan is alumni of the Wharton and Harvard Business School.



**MRS. SAADIA NAVEED**

Director

Mrs. Saadia Naveed is the Deputy Managing Director of English Biscuit Manufacturers (Pvt.) Ltd. (EBM). She was also the President of the Management Association of Pakistan (MAP), the first ever female President, from June 2013 till March 2015.

Mrs. Saadia Naveed after completing her graduation moved to the field of chartered accountancy and was associated with A.F. Ferguson & Co. for over four years, conducting and supervising audits as a senior in various national and multinational organizations.

She joined EBM in the year 2002 and held the challenging position of Director Operations prior to her appointment as Deputy Managing Director in 2008.

Under her leadership, EBM has witnessed exponential growth from sales of 11,000 tons in 2001 to 115,000 tons in 2014. The company has also undergone numerous upgrades and expansions in its production capabilities as well as its technical and human resources.

She is a true team leader who works closely with Departmental Heads to further improve organizational systems, processes and policies. It is her contribution and sound knowledge of finance that made EBM a self-sufficient and debt-free organization.

As President of MAP she contributed significantly to raise the profile of what is already one of the most acclaimed management organizations in the country. She focused on creating greater awareness of good management practices and promoted the recognition of companies who actively engaged in them. Saadia is a great example of a dynamic leader and an inspiration for Pakistani women aspiring to take leadership roles. In 2012, she received Marketing Excellence and Wonder Women of the Year Award for her contributions to business excellence in Pakistan. Soft-spoken and deeply interested in uplifting the lives of those around her, she is a keen supporter of various philanthropic initiatives in addition to her professional role. She is also an active member of several professional organizations including Pakistan Business Council (PBC), Employers' Federation of Pakistan (EFP), Institute of Directors (IOD) London, National Academy of Performing Arts (NAPA), Korangi Association of Trade and Industry, Karachi Chamber of Commerce and Industry, Arts Council of Pakistan and Chairman, AKUH Cancer Society.



## BOARD COMMITTEES

### **Audit Committee**

The Committee assists the Board in the effective discharge of its responsibilities for corporate governance and financial reporting. The Audit Committee comprises of four members, one being independent and all others being Non-Executive Directors. The Chairman of the audit committee is an independent Director. The brief terms of reference of the audit committee are as follows:

- Review quarterly, half yearly and annual financial statements of the company prior to their approval by the Board of Directors;
- Review preliminary announcements of results prior to publication;
- Review and approve annual internal audit plan;
- Review the internal auditors' proposed audit scope and approach;
- At least once a year, meeting external auditors without Director Corporate Finance and Internal Auditors;
- At least once a year, meeting Internal Auditors without Director Corporate Finance and External Auditors;
- Recommend the appointment of external auditors to the Board of Directors and consider any questions of resignation or removal of external auditors, if any, audit fees and provision by external auditors of any service in addition to audit of financial statements;
- Review management letter issued by the external auditors and management response thereto;
- Determination of appropriate measures to safeguard the Company's assets;
- Consideration of any other issue or matter as may be assigned to the Committee by the Board of Directors;
- Review company's risk management approach including the identification of Corporate Risks and related mitigation/response plans and compliance reports; and
- Ensure the board is aware of matters that may significantly impact on the financial condition or affairs of the business.

### **Human Resource and Remuneration Committee**

The committee consists of one independent, two Non-Executive Directors and one Executive Director. The committee is responsible for dealing with matters relating to human resource policies including training, remuneration, performance evaluation and succession planning. The brief terms of reference of the Human Resource and Remuneration Committee are as follows:

- Recommending Human Resources Management policies to the board;
- Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer;
- Sending the selection, evaluation and compensation (including retirement benefits) of Director Corporate Finance, Company Secretary and Head of Internal Audit to the Board for ratification of HRRC's review.

## CORPORATE GOVERNANCE

### **Performance Evaluation of the Board**

The Board of Directors' performance was evaluated by providing all members of the Board with an Evaluation Questionnaire to assess the performance of Board. The members of the Board were required to fill an online questionnaire. The evaluation was done on the basis of the effectiveness of the Board's performance.

### **CEO Performance Review**

The CEO provides an overview of the Company's performance to the Board and addresses any specific questions of the Board members. The performance of the CEO is assessed through the evaluation system set by National Foods Limited. The principle factors of evaluation include financial performance, business processes, compliance, business excellence and people management.

### **Role of Chairman**

The Chairman provides leadership and governance to the Board. The Chairman has the responsibility to monitor and ensure the effective functioning of the Board. The Chairman ensures that the Board as a whole plays a full and constructive part in the development and determination of the organization's strategies and policies. Furthermore, the Chairman also ensures that the organization's strategies are being implemented effectively. The Chairman conducts the Board meetings and ensures that all directors fully participate in the decision-making procedure of the Board.

### **Role of Chief Executive Officer**

The CEO leads the management in the day-to-day running of the organization's business in accordance with the business plans and within the budgets approved by the Board. The CEO is also responsible for oversight of the directions of the Board, in accordance with the Companies Act. It is the responsibility of the CEO to ensure that the organization's resources are allocated efficiently.

### **Whistleblowing Policy**

We have an open culture where employees are given the freedom to express their concerns. Although the Code of Conduct is in place, we understand that the Code may be violated at some point. In such instances, employees are encouraged to report any nonconformity through their respective HRBPs or Line Managers. Sometimes, the transgression is also reported directly to the Whistleblowing officer or Chairman Audit Committee. Action is then taken by the Company accordingly.





## MANAGEMENT COMMITTEE

**Mr. Shakaib Arif**

Director Integrated  
Supply Chain

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**Mr. Syed Farhan Ali Rizvi**

Director Corporate Finance

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**Dr. Fayyaz Ashraf**

Head of Innovations,  
Research & Development

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**Abrar Hasan**

Chief Executive Officer

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**Mr. Aejaz Abbas Basrai**

Director Strategy & Marketing & Chief  
Operating Officer NF DMCC

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**Mr. Syed Zeeshan Ali**

Head of Information  
Technology

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**Ms. Saira A. Khan**

Director HR & IR

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**Mr. Hasan Sarwat**

Director Sales



# SUSTAINABILITY



## **Adopt a School**

Working towards SDG number 4 of providing Quality Education, National Foods collaborated with TCF to Adopt a School. The school adopted is called the Idrees Ismail Awan Campus which is located in Baldia Town, near our SITE Plant. This location was selected in an effort to provide better education around areas we operate in. In addition, what is commendable about this school is its 53% female enrolment, which is in line with our aim to promote gender equality and empower young women.

## **4<sup>th</sup> Unified Marathon – Special Olympics Pakistan**

In an effort to reach out to the community, National Foods Limited collaborated with Special Olympics Pakistan for its 4<sup>th</sup> Unified Marathon. This partnership encouraged students from our TCF Adopt a School Program to stand shoulder to shoulder with the special athletes. Nominating 30 students from our school, the marathon aimed to create a sense of belongingness for all the participants from all walks of life. The marathon, which is held annually had approximately 3000 participants of which 1000 were intellectually disabled. The activity resulted in Special Olympics Pakistan and TCF working together to unite students with different abilities to run for a good cause.

## **Breast Cancer Awareness**

Working towards the UN SDG number 3 of Good Health & Well-being, National Foods has collaborated with Shaukat Khanum Memorial Cancer Hospital & Research Centre (SKMCH) to help raise awareness on the stigmas of Breast Cancer. As Pakistan has the highest rate of breast cancer incidences in Asia, NFL found it vital to educate both its male and female employees on this illness. Therefore, two sessions were conducted at the Corporate Office in the month of October, one for male employees and one for female employees. This consisted of an interactive session conducted by Dr. Rabab Zehra, followed by a highly interactive Q&A session.



## **Blood Drive at the Corporate Office**

In an effort to work towards the UN SDG 3 of Good Health & Well-being, NFL found it essential to hold a blood drive at the Corporate Office. According to US National Library of Medicine, blood donation reduces the risk of heart disease and helps in the reproduction of new blood cells. Beyond the individual health benefits from donating blood, blood donations impact the lives of many patients in need and have the potential to save up to three lives. Overall the blood drive was highly successful with over 100 employees donating blood.





### Case Study on NFL's Family-Friendly Policies

According to the IMF (2018), Pakistan's GDP could increase by up to 30 percent if gender gaps in economic participation are severely reduced. According to Pakistan Bureau of Statistics, 2015, Pakistan's female labor force participation (FLFP) is at 25 percent which is significantly lower than neighboring countries and international standards. This low FLFP represents a missed opportunity for the households as well the economy of the country.

Tapping into this gap, NFL has come a long way in encouraging our female labour force to add value to our society and labor market. Therefore, NFL has adopted several family-friendly policies such as an on-site daycare facility to cater to the needs of working parents along with pick and drop for female employees. In addition, NFL has a flexible working hour policy that allows employees to choose when to begin their 9-hour workday. Medical allowances are also extended to employees and their families. As a result, the share of women in the workforce has increased by 65 percent and 117 percent in management. As a result of these efforts, the Company was acclaimed internationally through a case study by International Finance Corporation (IFC) & Pakistan Business Council (PBC).

### Humqadam

Working towards our agenda of Gender Diversity and Community Development, Humqadam - our first female mentorship program was launched with the aim to promote gender equality, improve employee engagement and create an environment that fosters employee growth. By providing female employees with a platform to interact with female members of the Board of Directors, the initiative aimed at not only raising awareness on women's needs and rights but to also build their confidence and leadership skills. Some of the topics Humqadam plans to create awareness on are maintaining a healthy work-life balance and harassment at the workplace. These topics are covered through workshops conducted by the two female board members, Noreen Hasan and Saadia Naveed. These sessions are to be conducted on a quarterly basis to ensure maximum retention and impact.

### Collaboration with Saylani Aman Ghar

In line with our CSR strategy of Good Health & Nutrition based on UN SDG number 3, National Foods has taken the initiative to provide healthy meals to 5000 children residing in Khuda Ki Basti (Karachi) to cater to their nutritional needs. The Company is donating our premium, hygienic food products so that the children have access to high-quality food so that they are able to make their mark in the society.





# BUSINESS REVIEW







## CHAIRMAN'S REVIEW

### Financial Highlights of the Company

On behalf of the Board of Directors, I am pleased to present to you review on Annual Report of National Foods Limited (the "Company") for the year ended June 30, 2019. The Financial Year 2018-19 has been another year of high performance and growth for the Company. On a consolidated basis, the Company achieved a revenue of Rs. 33 billion and Rs. 1.4 billion as profit after tax.

### Pakistan's Economic Landscape & the Company's Performance

On the economic front, there has been uncertainty on the back of fiscal and monetary policy changes during the year resulting into sluggish domestic volume growth. Due to shrinking disposable income, the consumer demand has been impacted. Consumer Price Index indicating increasing inflationary environment with the increase in the prices of fuel, raw materials, packaging materials and financing cost, overall the cost of doing business of the Company, like many other companies, has significantly increased. Besides, there had been 32% depreciation in the Pakistani Rupee versus US dollar since June 2018. However, the Company's international business NFDMCC and A-1 through exchange gain has positively impacted profit before tax. Notwithstanding the aforesaid economic challenges, the Company has fared well in the competitive landscape and which can be read from the Directors' Report. It is my firm belief every new challenge brings along new opportunities.

تندئ بادِ مخالف سے نہ گھبرا اے عقاب  
یہ تو چلتی ہے تجھے اونچا اڑانے کے لیے



### **Board's Overview & Performance**

The previous board completed its term on October 18, 2018 and a new Board was elected on the same day and consisted of seven (7) Directors. As required under Listed Companies (Code of Corporate Governance) Regulations, 2017 two independent directors namely Mr. Ehsan A. Malik and Mr. Towfiq H. Chinoy are now heading the Board Audit Committee (BAC) and Human Resource & Remuneration Committee (HRRC) respectively.

I am confident to state that the Board is performing its duties and responsibilities diligently and are contributing effectively in steering the Company in its strategic matters.

The Company has developed a board performance self-evaluation form, which will now be extended to the committees. As a Board, we strive to maintain and strengthen the high level of corporate governance, continuously improving the corporate transparency, ensuring the healthy development of your Company and endeavoring to enhance the corporate value.

The Company is dedicated in enhancing shareholders' value while continuing to manufacture products of the highest quality with constant innovation, efficiency and effective cost-optimizing initiatives.

### **Acknowledgments**

The directors acknowledge with gratitude the outstanding work and ongoing dedication of the Company's management and staff throughout the outgoing year.

In the end, I would like to thank all our stakeholders who have stayed alongside us throughout our journey and hope that the bond we share continues to flourish.

**Abdul Majeed**  
Chairman

## DIRECTORS' REPORT

### **Fellow Shareholders,**

The Directors of National Foods Limited are pleased to present the Annual Report along with the financial results of the Company, which include both stand-alone and consolidated audited financial statements, for the year ended June 30, 2019.

### **Business Performance Overview**

#### **Operating and financial performance**

#### **The Group**

The Group continued to deliver strong topline and bottom-line. Net sales' growth momentum continued, posting a steady growth of 17% (excluding the reclassification impacts mentioned below). Ignoring the impact of IFRS 15, mentioned in detail below, Gross Margins improved by 60bps. These improvements have been a result of improved product mixes and price increases taken on the backdrop of inflationary & currency devaluation impacts on the cost to produce and sell.

#### **Core business**

Whilst the economy presented a challenging play field with increasing cost of business and financing, the fundamentals of the core business remained strong. Inflationary pressures were partially passed on to the consumers while currency devaluation in international operations assisted in hedging the higher cost of material imports. Net sales (excluding reclassification) posted a steady growth of 8%. The Company continued to fortify its footprint in the international division through steps to augment sales and realign distributor and marketing strategy in international markets.

The Company continued to invest in the new categories it entered in FY17 being Mayonnaise and Savory Snacks – building momentum and base for further expansion – both territorial and product portfolio. New categories will create growth opportunities for NFL product portfolio.

#### **A1 Bags & Supplies Inc.**

The business venture has benefited from the Group's established policies and best practices. Efficiencies are pouring into the business whilst investment in ERP, optimization of product mix and pricing, rationalization of lines of business, effective working capital management and close review of the investments continue to be the priority of the board. The net profitability numbers clearly reflect the impact of all the above measures.





Key financial numbers of the Group for the fiscal year are summarized below:  
Amounts in PKR Million

Financial numbers without IFRS 15 reclassification *	Group			Core Business			A1 Bags & Suppliers Inc.	
	FY19	FY18	Change	FY19	FY18	Change	FY19	FY18
Net Sales	25,191	21,592	17%	17,763	16,500	8%	7,429	5,092
Gross profit	7,980	6,704	19%	6,536	5,825	12%	1,444	880
as % of net sales	31.7%	31.1%	0.6%	36.8%	35.3%	1.4%	19.4%	17.3%

Reported numbers (FY 18 not reclassified)*	Group			Core Business			A1 Bags & Suppliers Inc.	
	FY19	FY18	Change	FY19	FY18	Change	FY19	FY18**
Net Sales	24,254	21,592	12%	16,825	16,500	2%	7,429	5,092
Gross profit	6,984	6,704	4%	5,540	5,825	-5%	1,444	880
as % of net sales	28.8%	31.1%	-2.3%	32.9%	35.3%	-2.4%	19.4%	17.3%
Operating profit	2,007	1,369	47%	1,655	1,242	33%	352	128
as % of net sales	8.3%	6.3%	1.9%	9.8%	7.5%	2.3%	4.7%	2.5%
Net profit after tax**	1,371	1,027	34%	1,183	979	21%	188	48
as % of net sales	5.7%	4.8%	0.9%	7.0%	5.9%	1.1%	2.5%	0.9%
Earnings per share (Rupees)	10.4	8.1		8.9	7.7			

\*Net sales for the current period incorporate the impact of prospective application of IFRS 15 “Revenue from Contracts with Customers” resulting in reclassification of trade spend from distribution costs to net sales.

\*\*This includes amortization of Rs. 11 million (2018: Rs. 8 million) on intangible recognized on consolidation of A1 Bags & Suppliers Inc.

## Marketing and Promotion

- To maintain market share in the face of tough competition and meet its sales targets, NFL remained highly active with innovative marketing campaigns. Below were the key highlights:
- Mayo thematic campaign was launched in January '19 through TV and Social Media. To increase trials of Classic Mayo and Garlic Mayo, wet sampling was done in LMTs in Karachi, Lahore and Islamabad in February.
- SquareIt, an innovative and exciting competition was done with National Mayo on Instagram to test the creativity and culinary skills of consumers during the month of March.
- KEYO - Limited edition consumer promotion pack was launched in March'19 comprising of National Ketchup & National Mayo for consumers to enjoy their favorite condiment together with a free attractive dip bowl.
- National Ketchup launched a thematic campaign in April which was then further leveraged on digital to further leverage the successful platform of 'National Ketchup Zaroori', to build emotional differentiation.
- Ramazan CP was launched for National Ketchup with Chaat Masala. Another lucrative consumer promotion was done by giving out Free lunch box and Biryani Masala to boost sales during Eid-ul-Azha season.
- A TV campaign for Salt was run during the buying cycles of Q3 on TV and social media emphasizing superior qualities - 'Purity & Free Flow'.
- The Plain Spices category was supported with digital push along with POS material and MT activations in Karachi.
- One of the bigger initiatives in FY'19 was Made Easy, a digital platform which encouraged consumers to try out new recipes using NFL products. Interesting recipes such as Zafrani Coconut Kheer, Tiramisu Cake & Sawayyan Bites were launched via Made Easy. This collaboration will further build recall and increase awareness for NFL desserts.
- With evolving gender roles and modernization, it was imperative to remain relevant with changing consumer behaviors by evolving our traditional brand image. The brand underwent a directional change with this year's thematic campaign – “Nayi Soch Ke Naye Zaiqay”. The thematic platform was leveraged further throughout the year with tactical campaign in relevant seasons for Fish, Haleem etc.



- On ground interventions were also made to maximize consumer and trade engagements via piloting geography specific initiatives - Karachi and KPK Attack Plan.
- The plan at Karachi Eats 2019 was to create noise around the biggest food festival of the town. Calling out all the foodies in Karachi to come and enjoy the variety of food at National Foods stall. The menu focused on contemporary street food fused with National product range. The Shawarma Tacos and Chatpata Bun Kabab were a hit, along with Biryani sampled through the vending machine.

### Other key accomplishments

- National Foods Limited was awarded the 'Recognizing Gender Diversity at Workplace: Special Recognition, Local Industry' award by the CFA Society Pakistan for working actively to build an inclusive workforce at all levels of their organization, based on the UN SDG of Gender Equality.
- National Foods was awarded the Top Brand Award in the Food Household category. We were nominated as the leading brand in multiple products including Recipe Mixes, Pickles, Spices, Ketchup, Jam, Jelly & Marmalade.
- We received a successful certification by the British Retail Consortium on our Food Safety Management. The BRC Foods Safety Standard provides a framework to manage product safety, quality, integrity and the operational controls in the food and food ingredient manufacturing, processing and packing industry. National Foods high standard of operations ensured this criteria was met which resulted in the achievement of a Grade A in the audit.

### Our People

- Our people are the fundamental enablers to our success. We ensure that we engage a performance-driven culture and the right people with right capabilities to realize our vision which is driven by our founder's philosophy for sustainable acceleration.
- 2018-19 has been a year of significant process improvements with regards to a wide range of people-related interventions that were undertaken by the Human Resources team.
- HR Team participated in the recruitment drives at University of Azad Jammu & Kashmir and IBA, Karachi. These recruitment drives served as a platform to interact with the students and navigate them about the openings, Trailblazers (Management Trainee Program), Summer Internship Programs and provided guidance based on their career aspirations.

- NFL revamped, rebranded and relaunched its Management Trainee Program which is now called NFL 'Trailblazers'. Currently, 12 Trailblazers are being navigated through constant coaching in their respective functions. Quarterly feedback sessions, progress tracking and relevant trainings are aimed to provide the right developmental opportunities. This will help to build a strong leadership pipeline to ultimately benefit our business.
- HR team launched their first ever structured Internship program which entailed merit-based selection process where 5000 applications were received, out of which 125 students were shortlisted to take the online aptitude test. Out of this pool, top scorers were interviewed, and best 10 interns were placed on pre-planned projects. This program will enable to bridge the gap between industry and academia while providing the company with a pool of ready talent for future business needs.
- To meet the future requirements for entry level plant operations staff and support the diversity at all levels, NFL launched the Apprenticeship Program for our factories in Nooriabad and Karachi. This initiative was a collaborated effort with NTS (National Testing Services) and is due to start in Q1 FY20.
- Cross-functional team building excursions were organized off-site at Northern Areas of Pakistan. Connect sessions were arranged with respective MANCOM members to take the employees through our abridged Core Values journey.
- NFL partnered with Mercer to conduct our first-ever Employee Engagement Survey. Competitions were held to encourage maximum response rate. We achieved a 92% staggering response rate which indicates that we are ready to embark on the journey which will maximize the impact of our processes and people.

### Corporate Sustainability:

- Working towards SDG number 4 of providing Quality Education, National Foods collaborated with TCF to Adopt a School. The school adopted is called the Idrees Ismail Awan Campus which is located in Baldia Town, near our SITE Plant.
- National Foods Limited collaborated with Special Olympics Pakistan for its 4<sup>th</sup> Unified Marathon. This partnership encouraged students from our TCF Adopt a School Program to stand shoulder to shoulder with the special athletes.





- National Foods has collaborated with Shaukat Khanum Memorial Cancer Hospital & Research Centre (SKMCH) to help raise awareness on the stigmas of Breast Cancer.
- NFL found it essential to hold a blood drive at the Corporate Office. Overall the blood drive was highly successful with over 100 employees donating blood.
- NFL has adopted several family-friendly policies such as an on-site daycare facility to cater to the needs of working parents along with pick and drop for female employees. In addition, NFL has a flexible working hour policy that allows employees to choose when to begin their 9-hour workday. Medical allowances are also extended to employees and their families. As a result, the share of women in the workforce has increased by 65 percent and 117 percent in management. As a result of these efforts, the Company was acclaimed internationally through a case study by IFC and PBC.
- National Foods has taken the initiative to provide healthy meals to 5000 children residing in Khuda Ki Basti (Karachi) to cater to their nutritional needs. The Company is donating our premium, hygienic food products so that the children have access to high-quality food so that they are able to make their mark in the society.

We at NFL have an unwavering commitment towards improving the life of our stakeholders, and above all, our host communities. Through the year, we contributed around Rs. 18.1 Million (cash and in kind) under our Corporate Social Responsibility (CSR) programs broadly under the categories of women's empowerment, health & nutrition and education, which are our primary concerns.

### **Business Ethics**

From the inception of the Company it has been and continues to be a policy that the Company and all its employees maintain the highest ethical standards in the conduct of the Company's business. Our Code of Conduct constitutes a set of standards and rules which form an integral part of our corporate culture and is a statement of who we are and how we work. They highlight business principles, the Company's responsibilities towards its employees, and employee responsibilities towards your Company. Along with good corporate governance, ethical behavior is a fundamental part of everything that NFL does.

### **Principal risks and uncertainties**

The local business and political landscape has been generally uncertain over the course of the year, especially with the uncertainty of tax reforms and revenue collection target gaps impacting consumer and investor confidence. Volatile monetary policies have also dampened the economic environment with increase in cost of funding. The Company has strategized well to ensure competitive sustainable growth in the environment.

Based in the convenience food segment, NFL gross margins are dependent on key local and imported inputs. There is uncertainty over prices due to adverse climatic changes. Low local output results in additional imports hurting raw material pricing amid restricted price pass-on opportunities in a highly competitive environment.

Sharp devaluation of exchange rates during the fiscal year is expected to dent company gross margins due to impact on prices of key inputs such as tomato paste and Aloo Bukhara. However, with a fine balance of exports and imports, the company gets a natural hedging of the foreign currency fluctuation.

Business continuity and disaster recovery plans (DRPs) are in place to ensure that the Company's production and sales operations are not disrupted. The DRPs cover all business aspects with special focus on information technology and the ERP environment which spans multiple functions. Detailed responsibilities of DRP lead, steering committee and key team members are defined to ensure rapid response in the event of a business disruption.

The company's financing incorporates an appropriate mix of debt and equity to ensure optimum financial leverage and reduced cost. The Company is however susceptible to adverse changes in interests rates due to increased borrowings exposure. The Company mitigates this through a combinations of financing options, such as running finance, money market loans and long-term loans, through a variety of institutions. The Company is also availing discounted LTFF and ERF against export performance.

The company has an in-house legal and reporting team, to ensure simultaneous compliance with corporate legal framework and the financial reporting framework applicable to the company. External legal and tax counsels are on board and consulted wherever expert advice is required.

### **Contribution to the National Exchequer**

During the year, the contribution to the National Exchequer has further increased and the Company paid over Rs. 4,105 million (2018: Rs. 4,090 million) to the government and its various agencies on account of different government levies, including custom duty, sales tax and income tax. Moreover, foreign exchange of Rs. 1,223 million (2018: Rs. 1,194 million) was also generated through export of products which further reflects our participation in the national economy.



### **Dividend**

The Board of Directors has recommended final cash dividend of Rs. 4 per share and bonus dividend of 1 share for every 5 shares held on the date of determination of entitlement to receive dividend. Total standalone profit distributed by way of dividend amounts to 57% (2018: 52%).

### **Compliance with Code of Corporate Governance**

- The managerial objective of NFL is good corporate governance and compliance with best practices. As required under Listed Companies (Code of Corporate Governance) Regulations, 2017 (the 'Code'), the Company has adopted the Code in letter and spirit as follows:
- The financial statements, present fairly the state of affairs of the Company, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting standards have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Board has constituted an Audit Committee consisting of four members, including Chairman of the Committee. The chairman of Audit Committee is an independent director and the Committee regularly meets as per requirements of the Code.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- There are no significant doubts upon the Company's ability to continue as a going concern.
- The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements.
- A statement regarding key financial data for the last six years is annexed to this report.
- The value of investments of Provident Fund based on Unaudited accounts was Rs. 476 Million as at June 30, 2019.
- Attendance to meeting of the Board of Directors, Human Resource & Remuneration Committee and Audit Committee is annexed to the report.

### **Pattern of Shareholding**

The pattern of shareholding of the Company is annexed to the report.

### **Internal Auditors Function**

Company's internal Audit function is being looked after by the Head of Internal Audit, who is assisted by the internal auditors M/s Ernst Young Ford Rhodes & Co. The Head of Internal Audit reports directly to the Chairman of the Board Audit Committee.

### **External Auditors**

The present auditors Messrs. KPMG Taseer Hadi & Co., Chartered Accountants are retiring which makes them eligible for reappointment. On the recommendation of the Audit Committee, the Board of Directors proposes the appointment of Messrs. KPMG Taseer Hadi & Co., Chartered Accountants as the auditors until the next Annual General Meeting.





### Forward looking statement and future outlook

The challenges for the coming financial year would be mainly to tackle the uncertainty of managing rising inflation and devaluing currency brought about by the structural reforms of the new government. While the company will pursue a sustained strategy of managed consolidation but at the same time find avenues of growth through opportunities that we can invest in.

The company will continue to drive economies of scale which can be passed on to the consumer in this much needed time of inflation. The company is increasing its efforts to enhance its revenue-based channels and further sustained investments in Rural and Food Services will bring fantastic growth opportunities for next year. NFL has several effective strategies in place to turn challenges into opportunities, which can be realigned to cope with a rapidly evolving economic climate. We hope to create further value for our shareholders through these effective strategies in the future.

### Acknowledgement

The Board would like to convey its earnest gratitude to all the people involved with NFL for enabling it to flourish and deliver a constant performance over the last five years. Our people are steadfast to the welfare of the Company and have showed their potential by overcoming the numerous difficulties posed by the operating environment. We treasure their dedication and feel highly obliged.

On behalf of Board of Directors

Chief Executive Officer

Director

## Board Meetings

### Board Meetings

In 2019, the Board of Directors held 5 meetings to complete their cycle of activities. The attendance record of the Directors was as follows:

S.No.	Name	Designation	Meetings Attended
1	Mr. Abdul Majeed	Chairman	5
2	Mr. Abrar Hasan	Chief Executive Officer	5
3	Mrs. Noreen Hasan	Director	5
4	Mr. Zahid Majeed	Director	5
5	Mr. Towfiq H. Chinoy	Director	4
6	Mrs. Saadia Naveed	Director	4
7	Mr. Ehsan A. Malik	Director	4

### Audit Committee Meetings

In 2019, the Audit Committee held 4 meetings to complete its cycle of activities. The attendance record of the members was as follows:

S.No.	Name	Designation	Meetings Attended
1	Mr. Ehsan A. Malik	Chairman	4
2	Mr. Zahid Majeed	Member	4
3	Mrs. Noreen Hasan	Member	2
4	Mrs. Saadia Naveed	Member	3

### Human Resource and Remuneration Committee Meetings

In 2019, the HRRC held 3 meetings to complete its cycle of activities. The attendance record of the members was as follows:

S.No.	Name	Designation	Meetings Attended
1	Mr. Ehsan A. Malik	Member	3
2	Mr. Zahid Majeed	Member	3
3	Mr. Abrar Hasan	Member	2
4	Mr. Towfiq H. Chinoy	Chairman	2

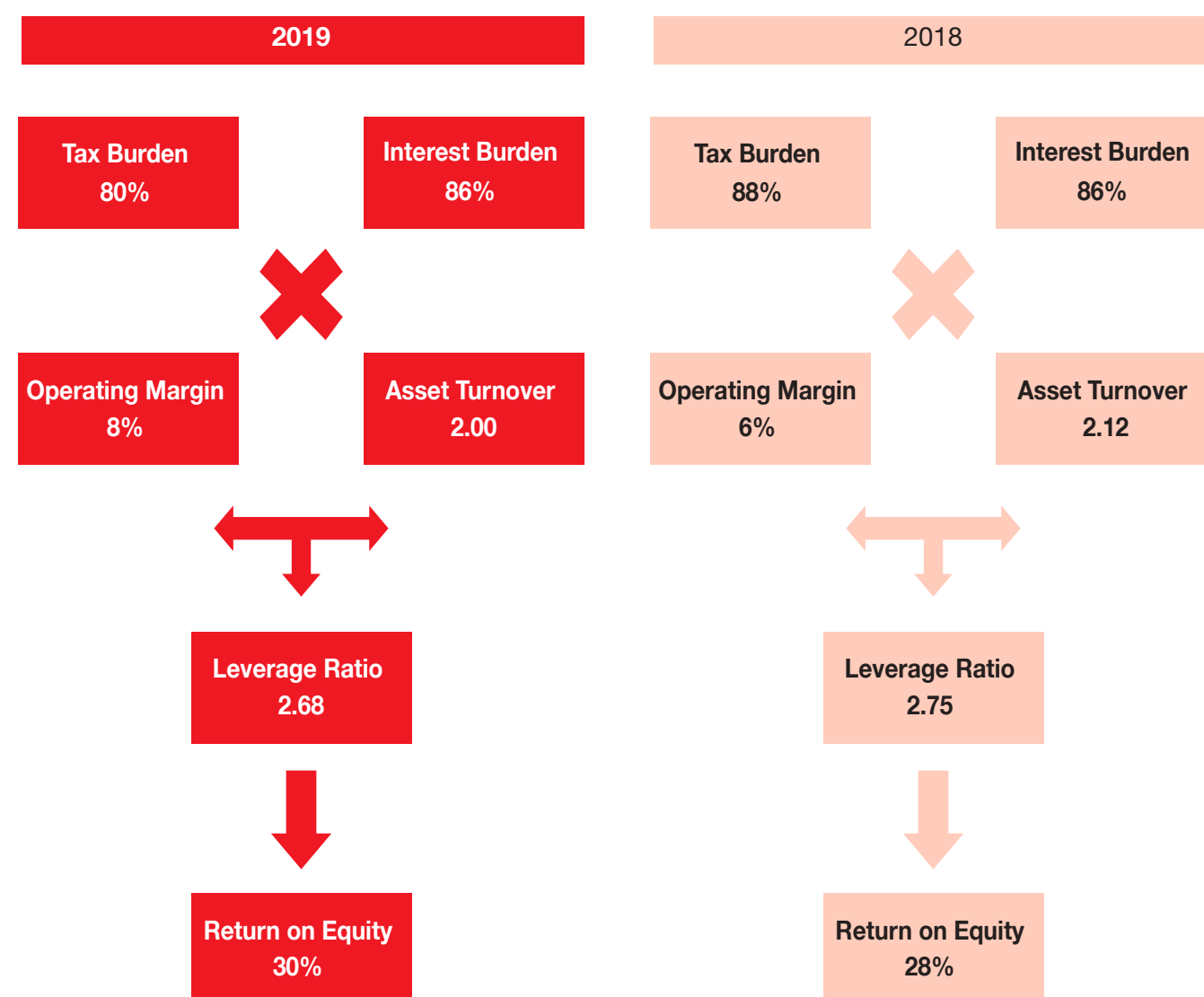


# FINANCIAL REVIEW





## DuPont Analysis

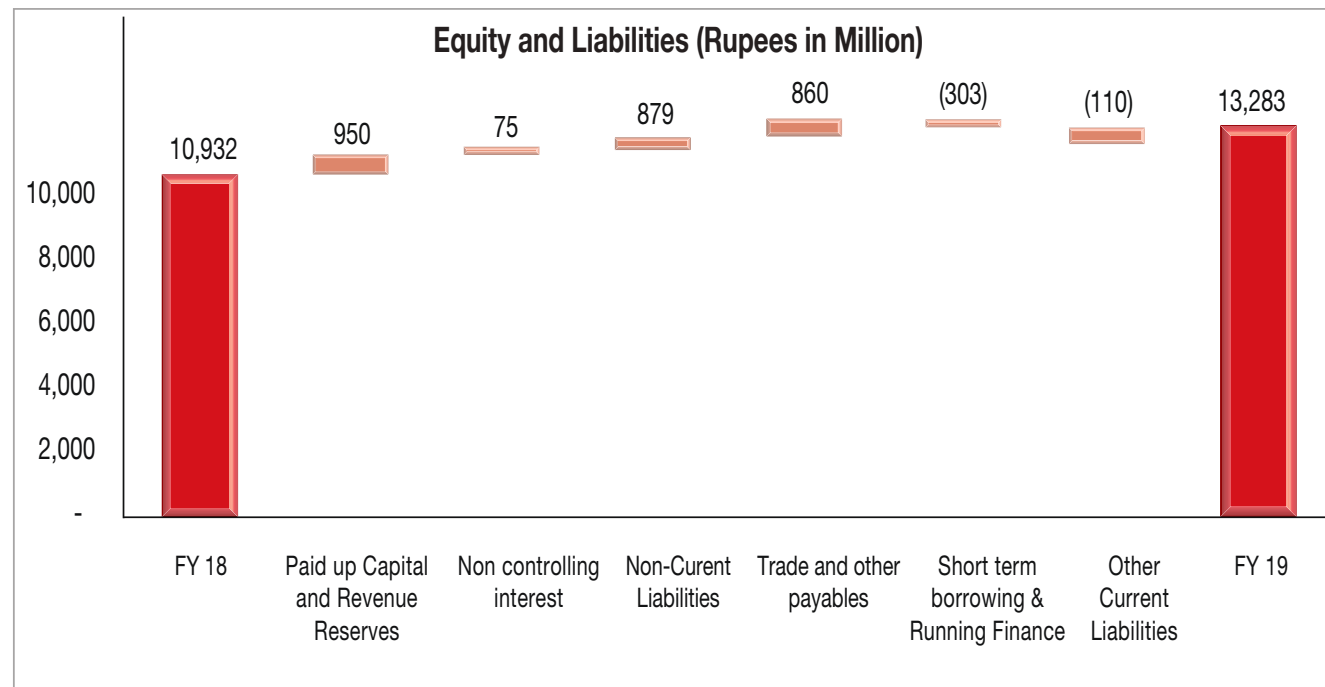
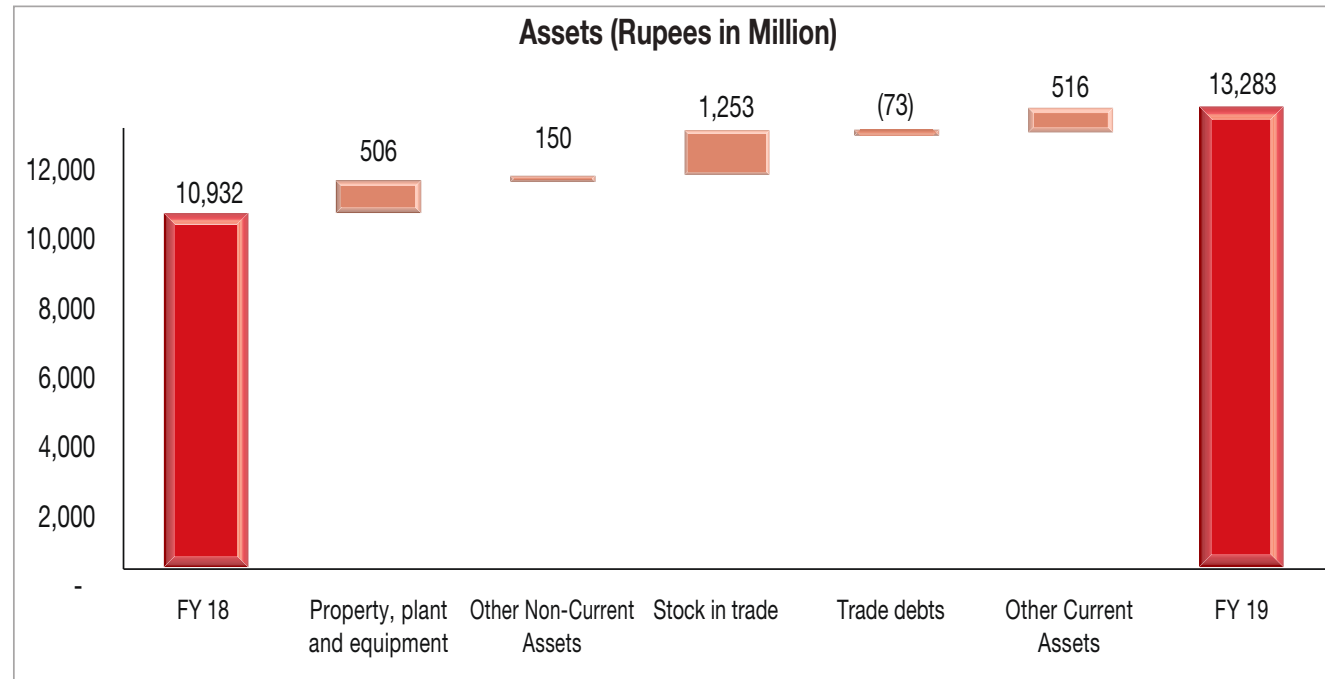


## Financial Ratios

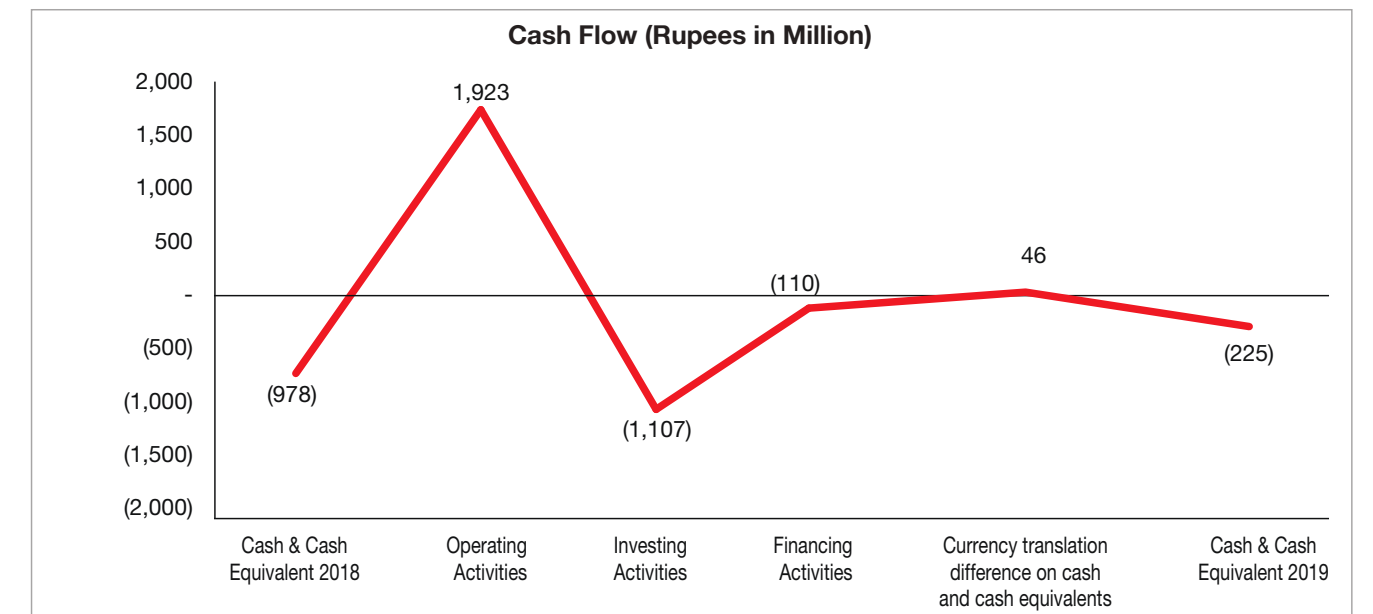
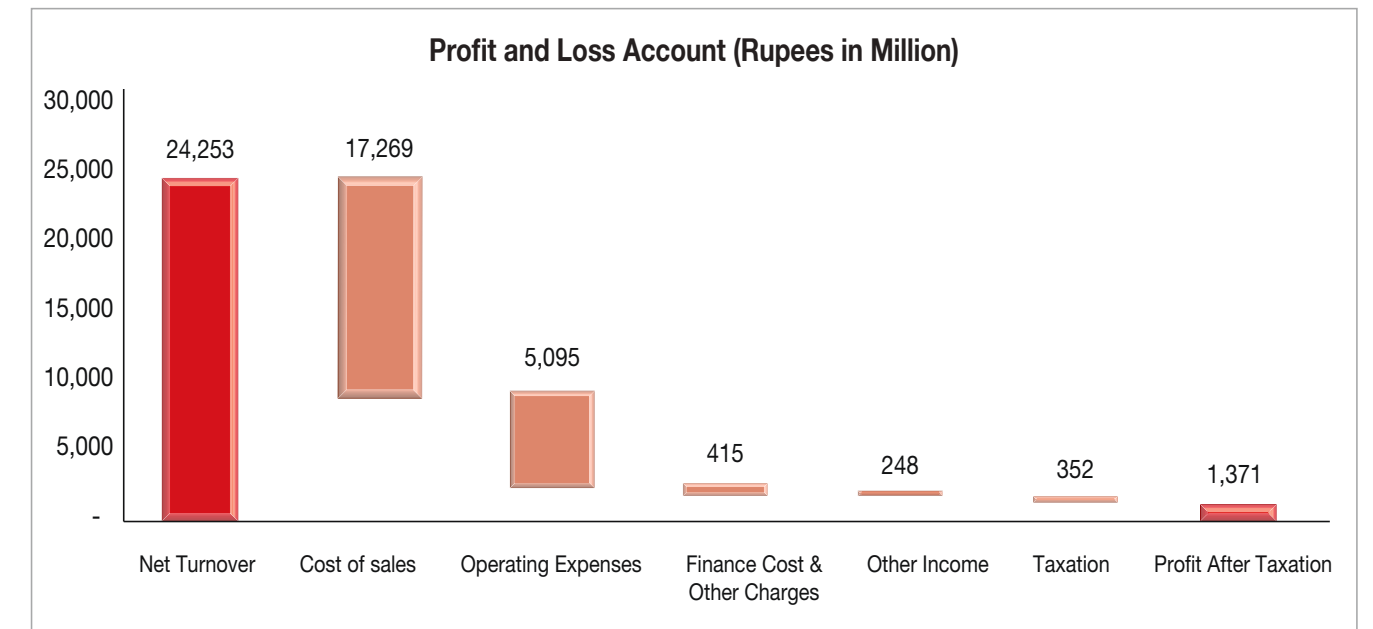
	Unit	With adjustment of IFRS-15 2019	Without adjustment of IFRS-15 2019	2018	2017	2016	2015	2014
<b>Profitability Ratios</b>								
Gross Profit Ratio	%	28.80	31.68	31.05	32.17	33.13	35.36	35.05
Operating Profit to Sale	%	8.27	7.96	6.34	8.48	8.97	12.64	11.80
Net Profit before Tax to Sales	%	7.10	6.84	5.43	7.86	8.37	12.26	10.88
Net Profit after Tax to Sales	%	5.65	5.44	4.76	5.80	5.87	8.51	7.55
EBITDA Margin to Sales	%	10.54	10.15	8.26	10.10	10.57	14.31	13.38
Operating Leverage Ratio	%	351.25	259.77	(13.39)	71.94	(110.39)	142.69	60.01
Return on Equity	%	30.34	30.34	27.77	32.80	29.88	39.57	37.55
Return on Capital Employed	%	37.33	37.33	32.19	42.36	43.89	55.92	54.68
Return on Assets	%	11.32	11.32	10.10	12.05	12.92	8.82	15.94
<b>Liquidity Ratios</b>								
Current Ratio	Times	1.06	1.06	0.88	1.05	1.13	1.49	1.42
Quick / Acid Test Ratio	Times	0.34	0.34	0.31	0.41	0.33	0.64	0.56
Cash to Current Liabilities	Times	(0.03)	(0.03)	(0.15)	(0.12)	(0.16)	(0.04)	(0.33)
Cash Flow from Operations to Sales	%	7.93	7.63	6.07	8.49	3.63	12.09	5.65
Working Capital Turnover	Times	(130.96)	(136.02)	(78.60)	64.91	24.66	8.91	8.97
<b>Efficiency Ratios</b>								
No. of Days in Inventory	Days	91.06	91.37	87.04	107.40	111.63	108.65	119.66
No. of Days in Receivables	Days	16.98	16.35	21.38	24.99	26.97	29.23	27.25
No. of Days in Payables	Days	25.58	25.67	20.79	14.00	13.27	17.14	15.40
Operating Cycle	Days	82.46	82.05	87.63	118.39	125.34	120.73	131.51
Asset Turnover	Times	2.00	2.08	2.12	2.08	2.20	2.21	2.11
Inventory Turnover	Times	4.01	3.99	4.19	3.40	3.27	3.36	3.05
Receivables Turnover	Times	21.49	22.32	17.07	14.61	13.53	12.49	13.40
Payables Turnover	Times	14.27	14.22	17.56	26.08	27.51	21.29	23.71
Revenue / Employee	Rs in 000s	44,269	44,269	41,430	34,034	28,668	23,986	21,485
Net Income / Employee	Rs in 000s	1,820	1,820	1,480	1,442	1,188	1,459	1,189
<b>Investment / Market Ratios</b>								
Earnings Per Share (recalculated)	Rs.	10.42	10.42	8.12	7.67	6.41	8.00	5.91
Price Earning Ratio	Times	17.67	17.67	32.75	29.46	36.52	35.37	113.03
Dividend Yield Ratio	%	2.17	2.17	1.30	1.57	0.98	2.94	1.00
Dividend Payout Ratio	%	36.29	36.29	37.83	45.24	35.74	104.11	56.41
Dividend Cover Ratio	Times	2.76	2.76	2.64	2.21	2.80	0.96	1.77
Cash Dividend Per Share	Rs.	4	4	3.75	4.25	2.75	10.00	8.00
Cash Dividend	%	80	80	75	85	55	200	80
Stock Dividend Per Share	Rs.	1	1	1	-	-	-	-
Stock Dividend	%	20	20	20	-	-	-	-
Market Value Per Share at the end of the year	Rs.	184.16	184.16	318.99	271.00	281.00	339.73	801.43
Low during the year	Rs.	147.48	147.48	295.00	260.00	276.50	318.12	302.25
High during the year	Rs.	310.00	310.00	352.00	413.71	366.65	433.73	801.43
Breakup Value Per Share without Surplus on Revaluation of Fixed Assets	Rs.	40.46	40.46	38.65	32.73	24.55	26.94	43.21
Market Capitalisation (in millions)	Rs.	22,896.29	22,896.29	33,049.55	28,077.46	29,113.53	35,198.34	41,514.07
<b>Capital Structure Ratios</b>								
Financial Leverage Ratio	%	63.50	63.50	74.22	56.75	51.55	13.76	42.68
Weighted Average Cost of Debt	%	9.12	9.12	7.90	6.44	10.44	6.60	9.22
Debt to Equity Ratio	%	18.45	18.45	9.80	11.09	-	-	-
Interest Coverage Ratio	Times	7.08	7.08	7.00	13.58	15.00	33.10	12.83
No. of Ordinary Shares (in millions)	EA	124.33	124.33	103.61	103.61	103.61	103.61	51.80

\* 2019 Financials incorporate the impact of prospective application of IFRS-15 "Revenue from Contracts". The above table depicts ratios with and without the restatement.

## Financial Statements at a Glance



## Financial Statements at a Glance



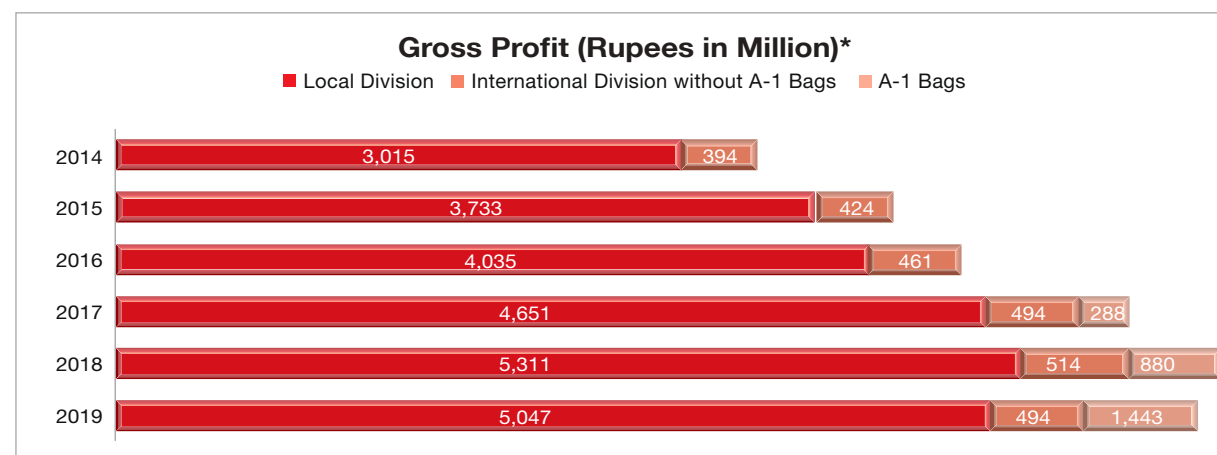
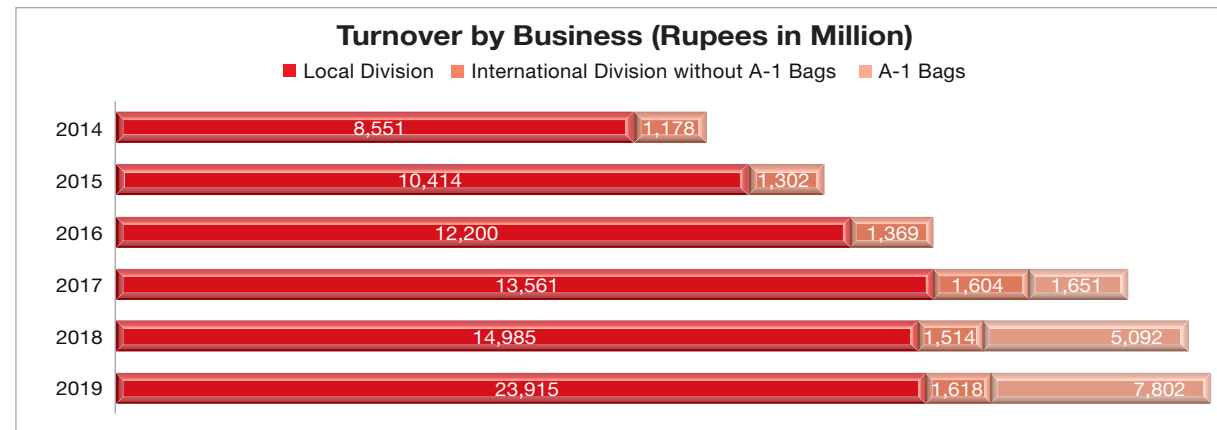
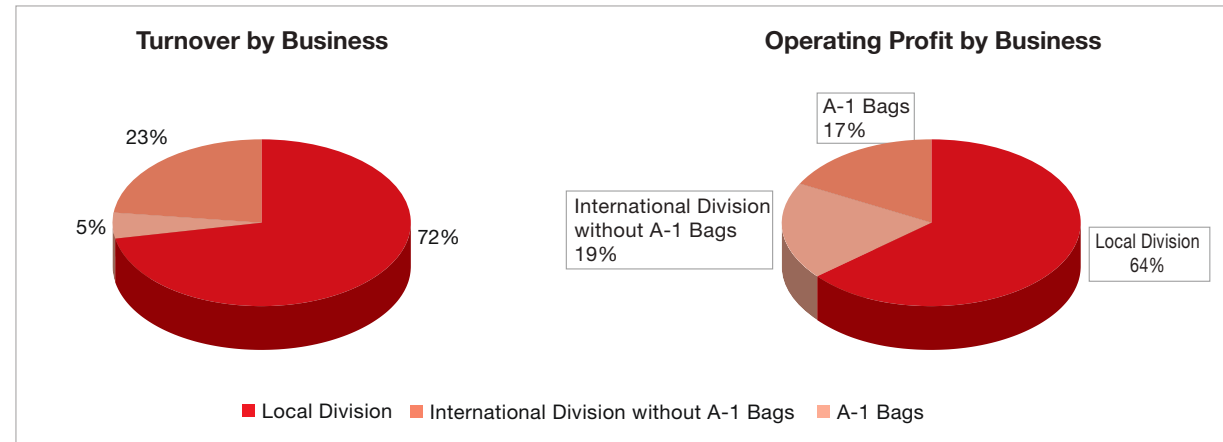


# Financial Highlights

Our results compared to same period last year at a glance

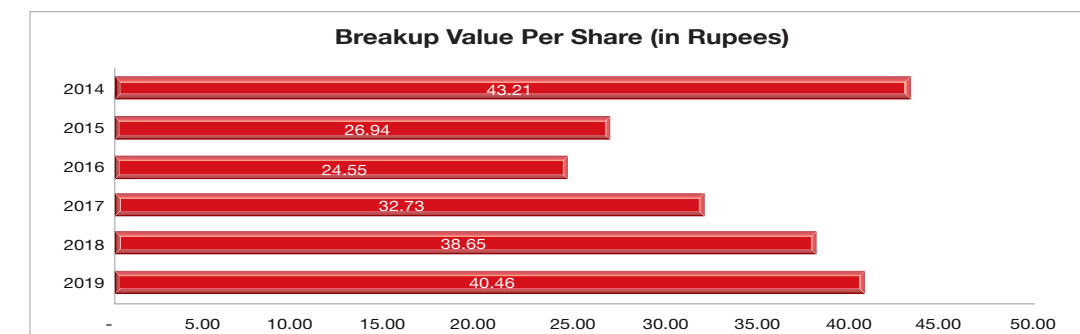
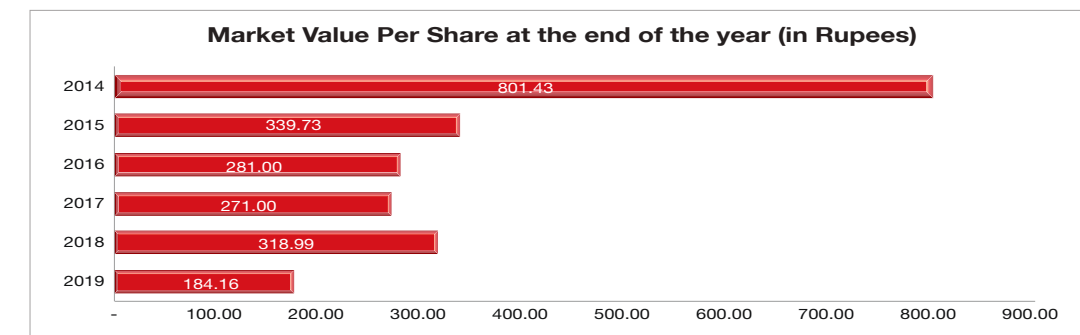
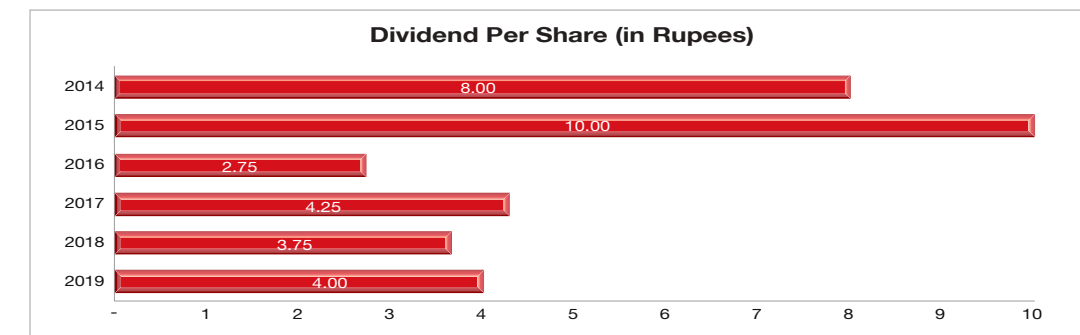
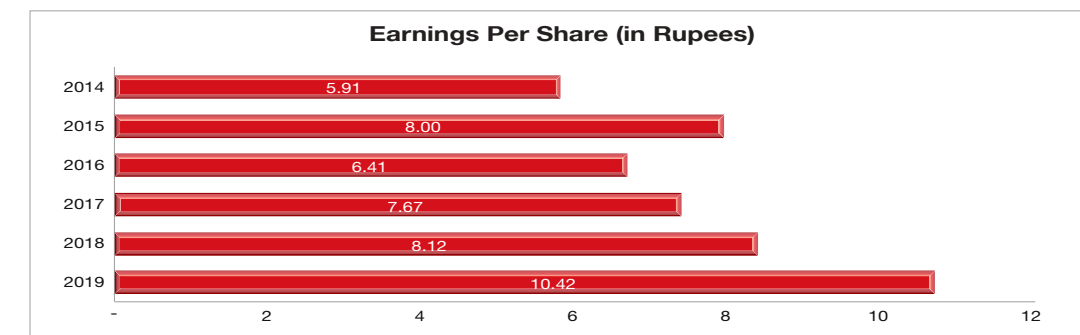
## FY-19

- Turnover up by 12 %
- Gross profit up by 4 %
- Profit after Taxation up by 33 %
- Earning per Share PKR 10.42 (FY-18 PKR 8.12)



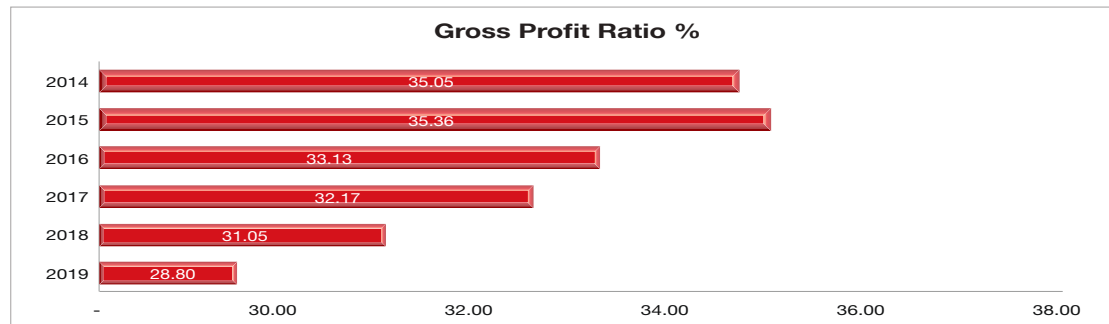
\* 2019 incorporates the impact of prospective application of IFRS-15 "Revenue from Contracts". Ignoring IFRS-15 reclassification, gross profit would have been Rs 7,980 million. (Local Rs 5,908 M, ID without A-1 Bags Rs 628 M and A-1 Bags Rs 1,444 M).

# Financial Highlights

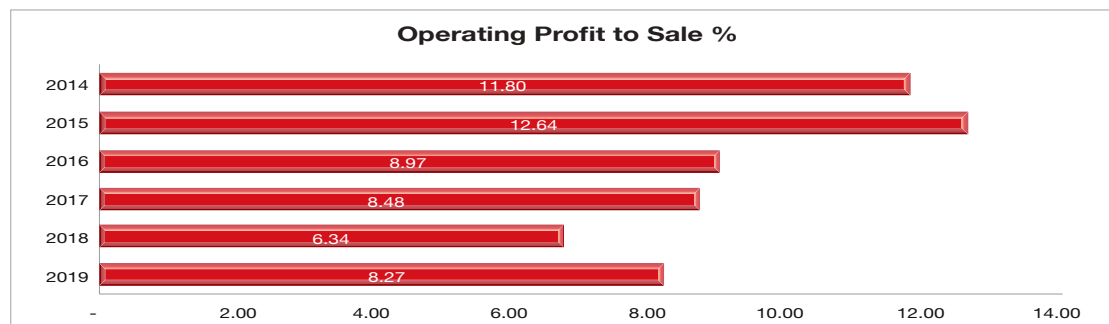


# Financial Highlights

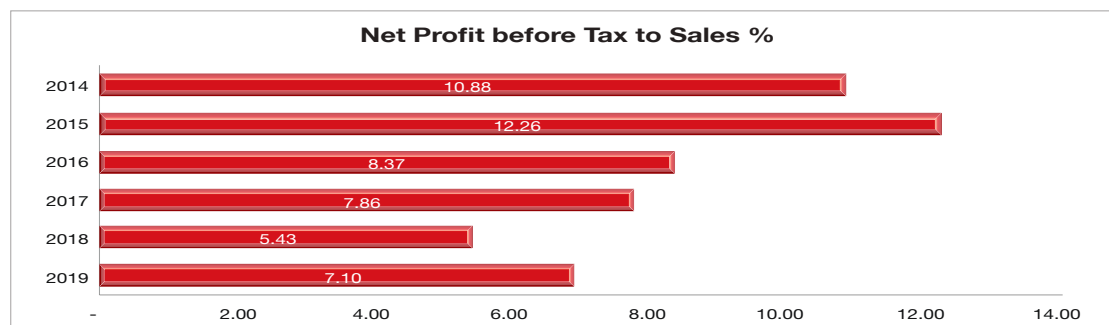
## A. Profitability Ratios



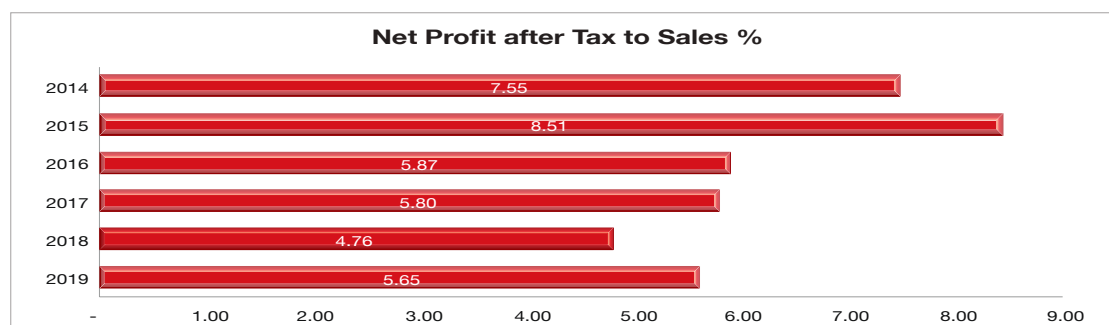
Ignoring IFRS-15 reclassification, gross profit ratio would have been 31.68% for 2019.



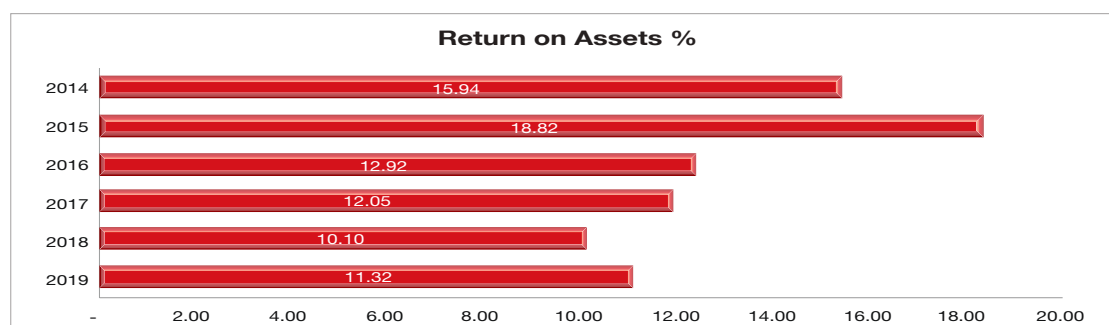
Ignoring IFRS-15 reclassification, operating profit to sales ratio would have been 7.96% for 2019.



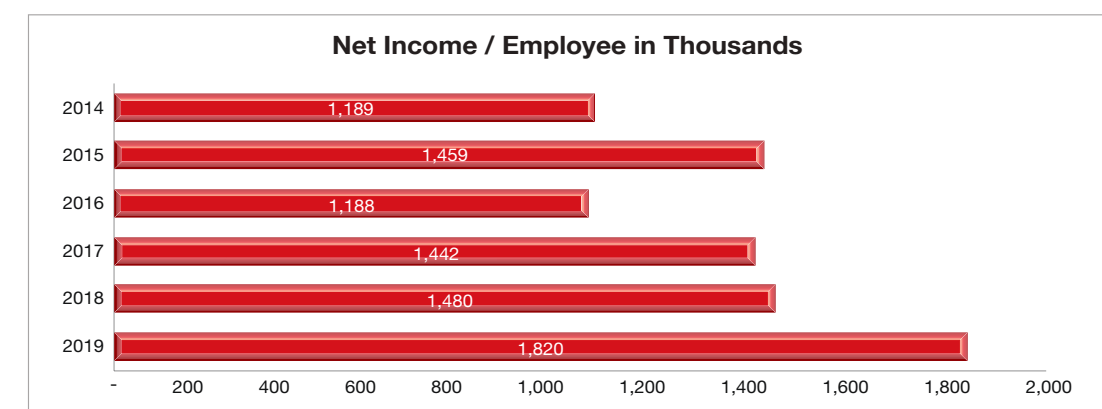
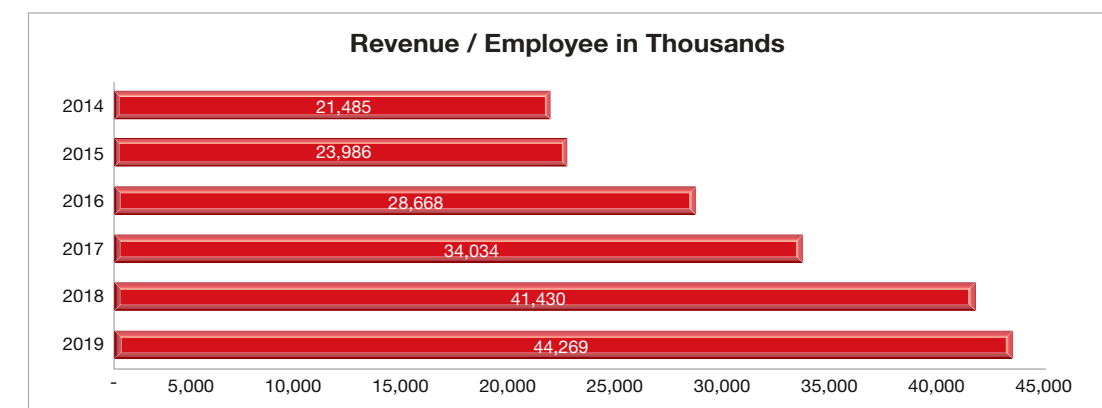
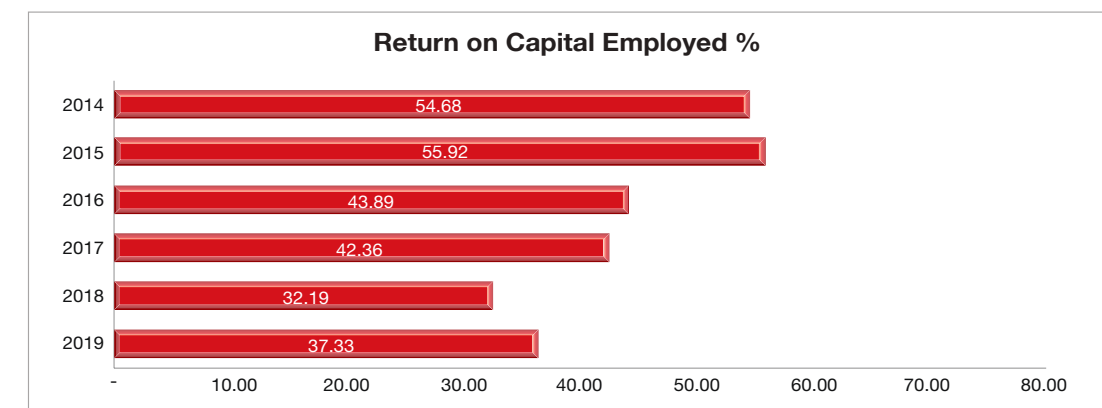
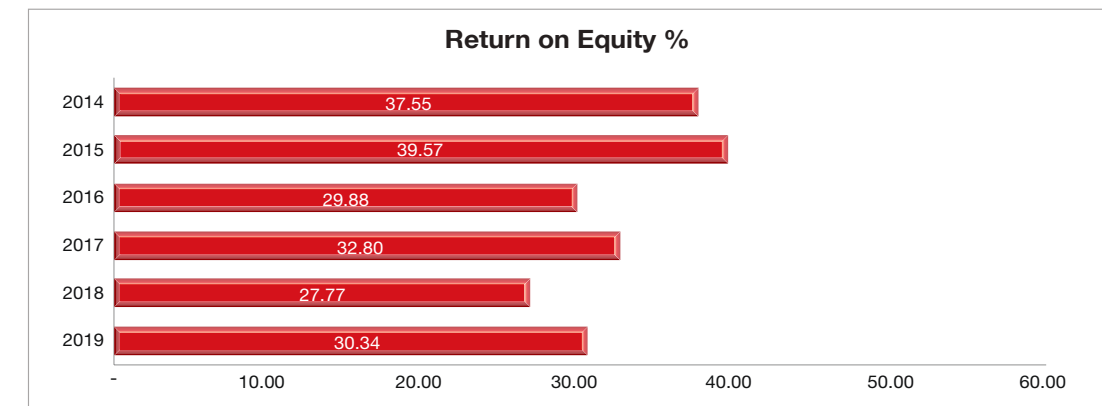
Ignoring IFRS-15 reclassification, Net profit before tax to sales ratio would have been 6.84% for 2019.



Ignoring IFRS-15 reclassification, Net profit after tax to sales ratio would have been 5.44% for 2019.



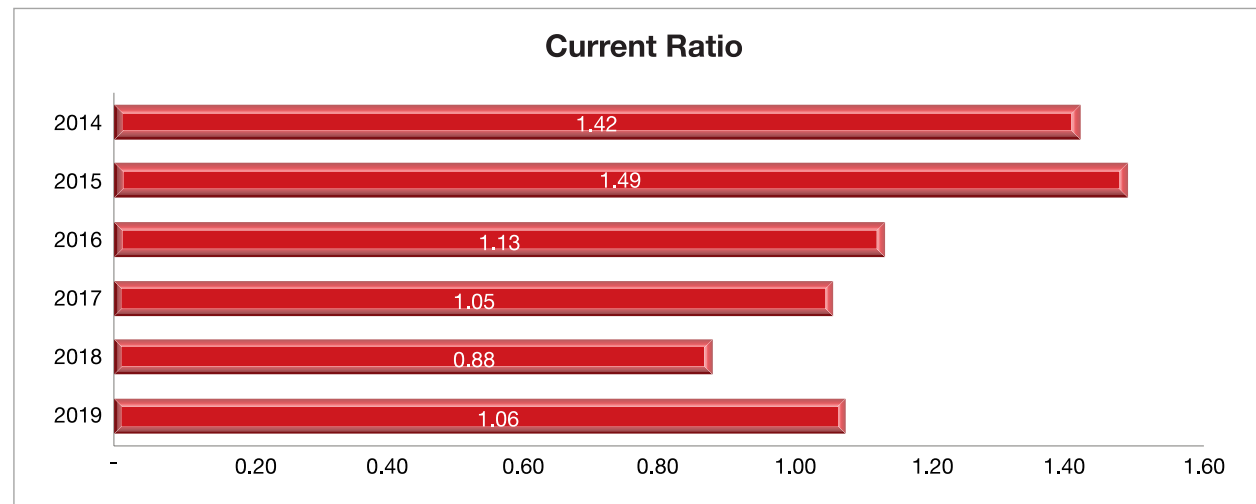
# Financial Highlights



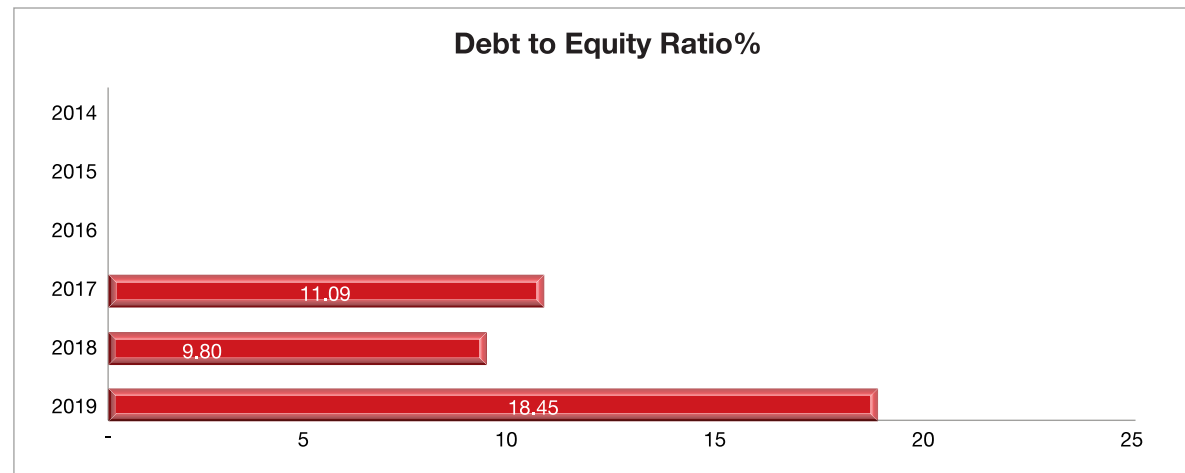


# Financial Highlights

## B. Liquidity Ratios

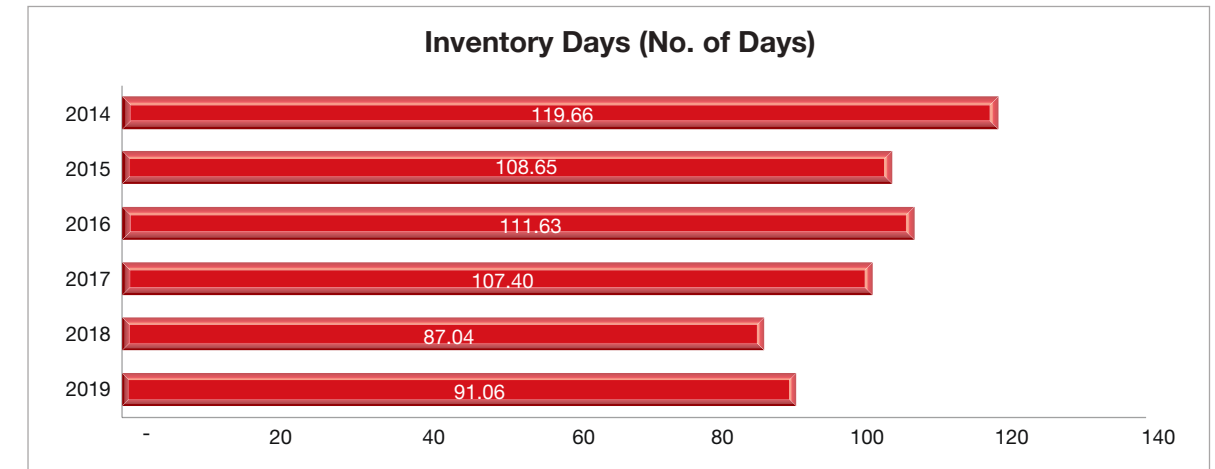


## C. Gearing Ratios

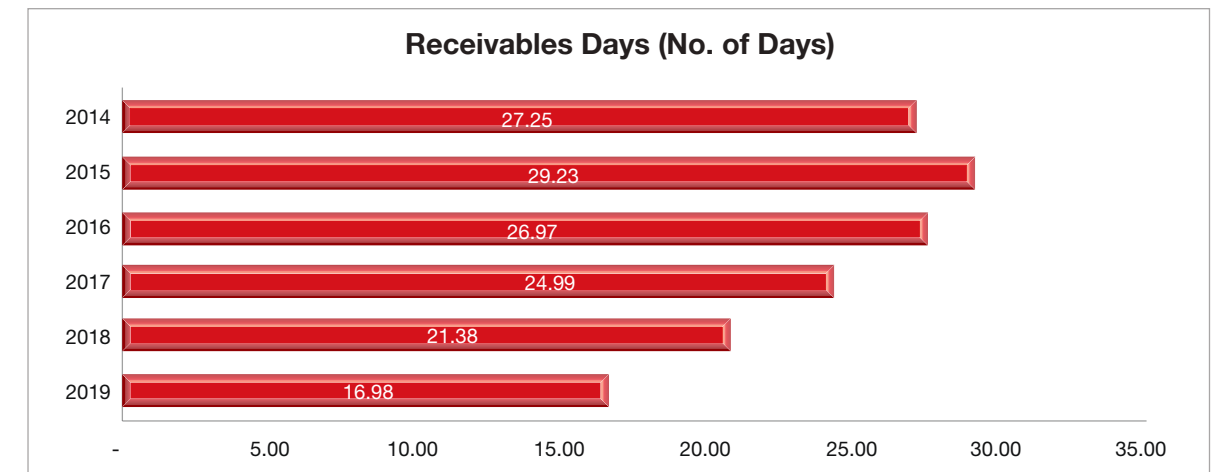


# Financial Highlights

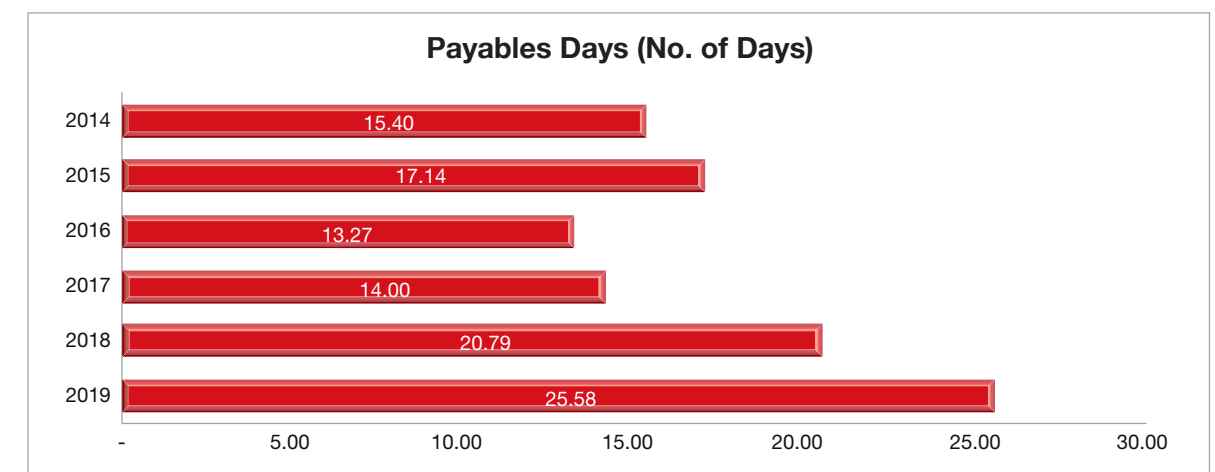
## D. Efficiency Ratios



Ignoring IFRS-15 reclassification, inventory days would have been 91.37 for 2019.



Ignoring IFRS-15 reclassification, receivables days would have been 16.35 for 2019.

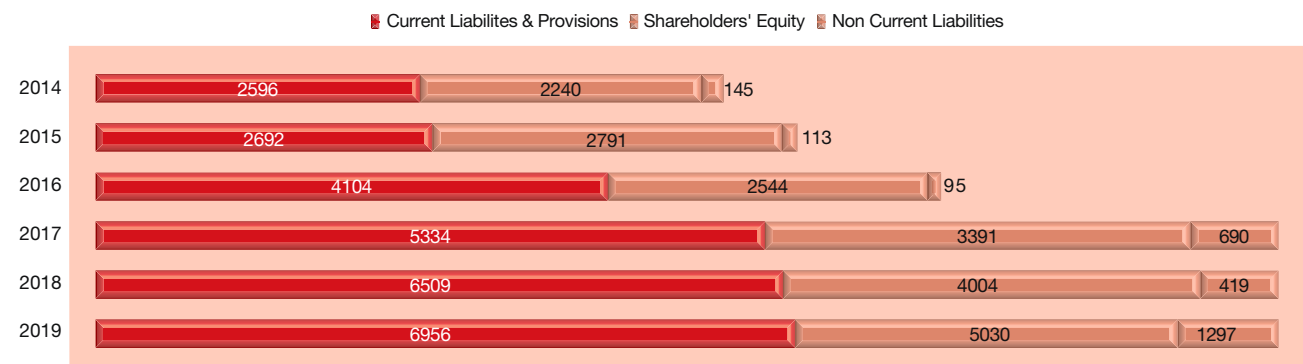


Ignoring IFRS-15 reclassification, payables days would have been 25.67 for 2019.

# Horizontal Analysis

	With adjustment of IFRS-15	Without adjustment of IFRS-15	2018	2017	2016	2015	2014
	2019	2019					
	%	%	%	%	%	%	%
<b>INCOME STATEMENT</b>							
Sales	12.33%	16.67%	28.66%	23.67%	16.05%	20.18%	13.85%
Cost of Sales	16.00%	15.60%	30.79%	25.45%	20.04%	19.63%	13.06%
Gross Profit	4.19%	19.04%	23.39%	20.09%	8.75%	21.21%	15.32%
Administrative cost	24.92%	24.92%	75.54%	(0.31%)	10.55%	24.93%	40.41%
Impairment loss on trade debts	-72.75%	-72.75%	100.00%	-	-	-	-
Distribution cost	-5.26%	18.81%	20.15%	29.67%	24.16%	15.48%	16.10%
Other Operating Expense	-43.04%	-43.04%	110.64%	10.15%	(18.88%)	45.23%	0.41%
Administration, Distribution & Other Operating Exp.	-3.00%	15.48%	31.16%	24.35%	19.92%	18.09%	18.76%
Financial Charges	44.85%	44.85%	86.73%	17.58%	99.56%	(50.08%)	19.50%
Other Income	364.36%	364.36%	(45.99%)	202.80%	(67.14%)	41.35%	5.19%
Profit before Tax	46.83%	46.83%	(8.69%)	13.17%	(20.81%)	35.47%	7.46%
Taxation	140.74%	140.74%	(57.65%)	2.18%	(22.89%)	35.47%	6.09%
Profit after taxation	33.44%	33.44%	9.33%	17.84%	(19.89%)	35.47%	8.07%
<b>BALANCE SHEET</b>							
Issued, subscribed and paid up capital	20.00%	20.00%	0.00%	0.00%	0.00%	0.00%	25.00%
Unappropriated Profit	23.50%	23.50%	20.35%	32.83%	(10.98%)	31.97%	36.63%
Non controlling interest	38.36%	38.36%	9.54%	100.00%	-	-	-
Exchange revaluation reserve	154.94%	154.94%	671.33%	155.63%	203.41%	183.17%	-
Long Term Obligations	209.70%	209.70%	(39.28%)	629.64%	(16.23%)	(21.96%)	3.11%
Total Long-term Liabilities and shareholder equities	43.05%	43.05%	8.37%	54.70%	(9.16%)	21.85%	31.32%
Fixed Assets, CWIP & Intangibles	12.64%	12.64%	37.04%	84.03%	32.16%	22.04%	19.05%
Other Non current assets	-1.36%	-1.36%	21.02%	10.45%	(10.90%)	57.14%	89.17%
Current Assets	29.75%	29.75%	1.91%	20.19%	16.22%	8.77%	16.64%
Total Assets	21.51%	21.51%	16.11%	39.64%	20.49%	12.39%	17.45%
Current Liabilities & Provisions	6.87%	6.87%	22.04%	29.96%	52.48%	3.70%	7.06%
Total Assets Net of Current Liabilities	43.05%	43.05%	8.37%	54.70%	(9.16%)	21.85%	31.32%

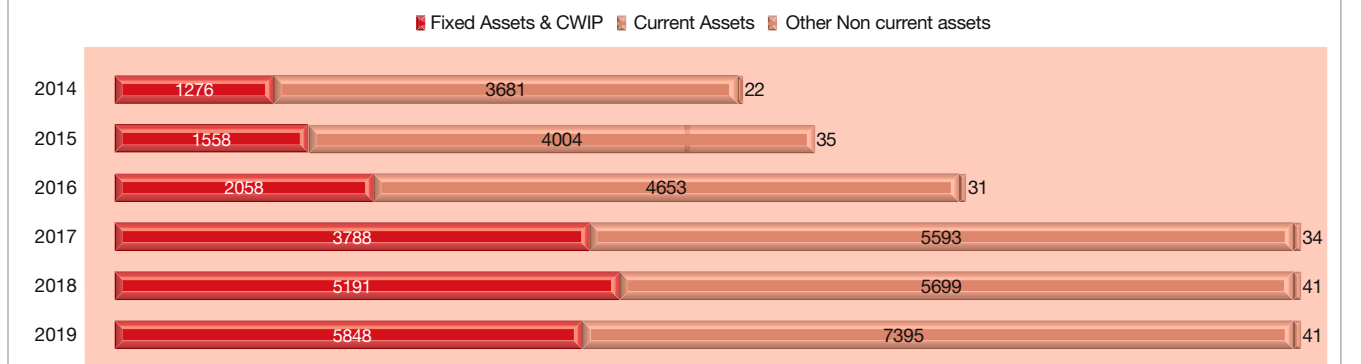
## BALANCE SHEET ANALYSIS - EQUITY & LIABILITIES



# Vertical Analysis

	With adjustment of IFRS-15	Without adjustment of IFRS-15	2018	2017	2016	2015	2014
	2019	2019					
	%	%	%	%	%	%	%
<b>INCOME STATEMENT</b>							
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	71.20%	68.33%	68.95%	67.83%	66.87%	64.64%	64.95%
Gross Profit	28.80%	31.68%	31.05%	32.17%	33.13%	35.36%	35.05%
Administration	4.70%	4.53%	4.23%	3.10%	3.85%	4.04%	3.88%
Distribution cost	16.17%	19.52%	19.66%	20.72%	19.77%	18.48%	19.23%
Other operating cost	0.54%	0.52%	1.07%	0.65%	0.73%	1.05%	0.87%
Financial Charges	1.17%	1.13%	0.91%	0.62%	0.66%	0.38%	0.92%
Other Income	1.02%	0.99%	0.25%	0.59%	0.24%	0.85%	0.72%
Profit before Tax	7.10%	6.84%	5.43%	7.67%	8.36%	12.26%	10.88%
Taxation	1.45%	1.40%	0.68%	2.06%	2.49%	3.75%	3.33%
Profit after taxation	5.65%	5.44%	4.76%	5.60%	5.87%	8.51%	7.55%
<b>BALANCE SHEET</b>							
Issued, subscribed and paid up capital	5.47%	5.47%	11.71%	12.69%	19.63%	17.84%	21.73%
Unappropriated Profit	35.16%	35.16%	73.11%	65.83%	76.67%	78.24%	72.24%
Non Controlling Interest	2.39%	2.39%	4.44%	4.39%			
Exchange revaluation reserve	1.26%	1.26%	1.27%	0.18%	0.11%	0.03%	-0.05%
Total Equity	44.29%	44.29%	90.53%	83.09%	96.42%	96.11%	93.93%
Long Term Obligations	11.42%	11.42%	9.47%	16.91%	3.58%	3.89%	6.07%
Total Long-term Liabilities an shareholder equities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Fixed Assets, CWIP & Intangibles	92.42%	92.42%	117.36%	92.81%	78.00%	53.63%	53.55%
Other Non current assets	0.65%	0.65%	0.94%	0.83%	1.17%	1.20%	0.93%
Current Assets	116.87%	116.87%	128.86%	137.03%	176.38%	137.85%	154.43%
Total Assets	209.93%	209.93%	247.15%	230.90%	255.57%	192.67%	208.90%
Current Liabilities & Provisions	-109.93%	-109.93%	-147.15%	-130.90%	-155.56%	-92.67%	-108.90%
Net Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

## BALANCE SHEET ANALYSIS - ASSETS





## Summary of Cash Flow Statement

	2019	2018	2017	2016	2015	2014
<b>(Rupees in Millions)</b>						
Cash flows from operating activities	1,923	1,311	1,425	490	1,414	550
Cash flows (used in) investing activities	(1,107)	(1,676)	(1,556)	(312)	(354)	(460)
Cash flows from / (used in) financing activities	(110)	(1)	167	(732)	(713)	(597)
Net increase / (decrease) in cash and cash equivalents	706	(367)	37	(554)	347	(507)
Cash and cash equivalents at the beginning of the year	(978)	(624)	(662)	(110)	(456)	50
Currency translation difference on cash and cash equivalents	46	12	1	2	-	-
Cash and cash equivalents at the end of the year	(225)	(978)	(624)	(662)	(109)	(456)

### Operating activities

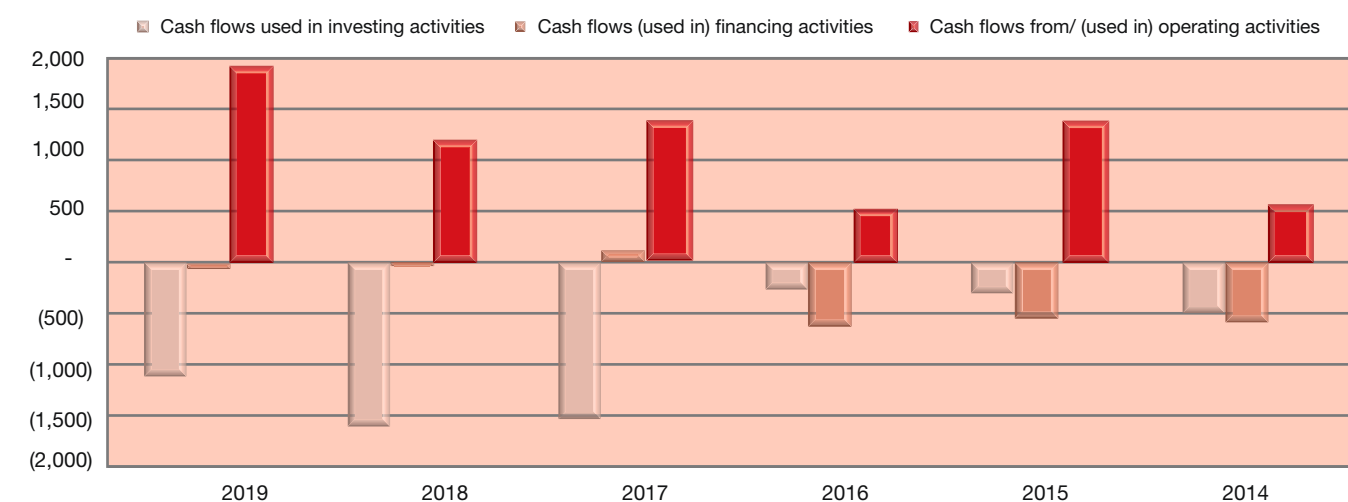
The Company's operating cash flow has increased at a CAGR of 33% over the past 6 years due to improved business performance.

### Investing activities

Cash used in investing activities has increased at a CAGR of 27% over the past 6 years and mainly comprises investment in capital expenditure including Recipe packing machine, Salt plant, A1 expansion & land and building extension at manufacturing sites of the Company.

### Financing activities

Financing activities mainly comprise long-term loans obtained for Investment in A-1 Bags & Supplies Inc and LTFF for new Salt plant. The Company has financed its expansion needs by obtaining long-term loans which were partially offset by dividend payments.

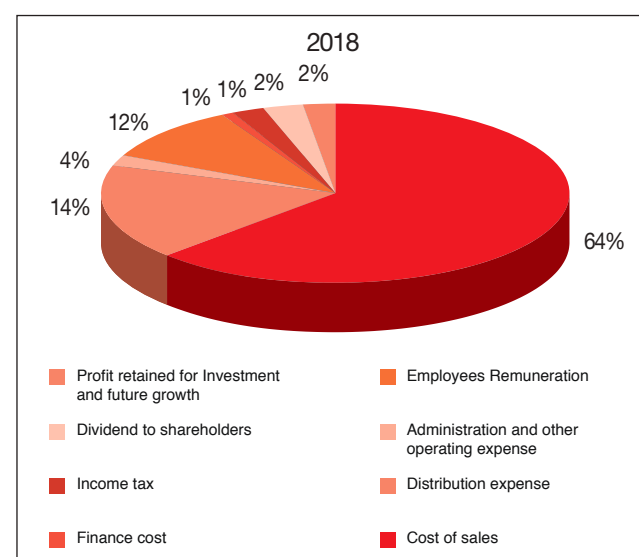
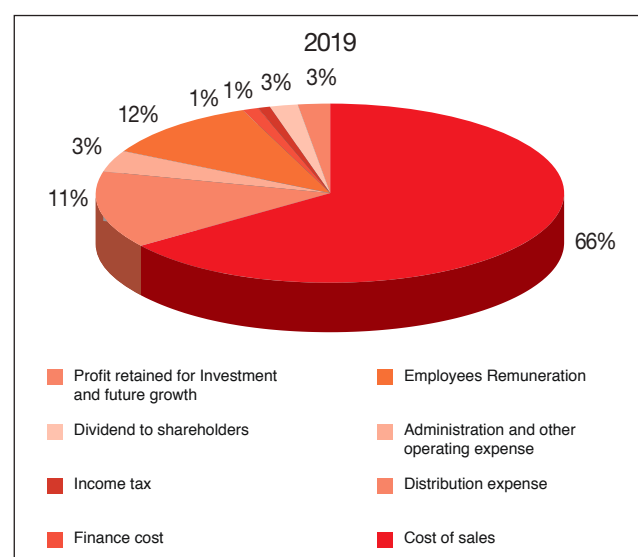


## Six Year Cash Flows Using Direct Method

	2019	2018	2017	2016	2015	2014
<b>(Rupees in thousand)</b>						
Cash received from customers	23,954,765	21,685,050	16,382,637	13,709,694	11,416,540	9,580,403
Cash paid for goods & services	(21,607,696)	(19,808,411)	(14,463,131)	(12,908,168)	(9,742,647)	(8,763,322)
<b>Cash generated from operations</b>	<b>2,347,069</b>	<b>1,876,639</b>	<b>1,919,506</b>	<b>801,526</b>	<b>1,673,893</b>	<b>817,081</b>
Financial cost paid	CF (269,647)	(181,164)	(102,522)	(82,689)	(53,490)	(101,683)
Net increase in long term deposits	CF 862	(6,716)	(3,209)	3,789	(12,643)	(10,429)
Deferred rent	CF 2,455	17,596	1,898	-	-	-
Retirement benefit obligation	CF (42,366)	(6,023)	(17,881)	(23,876)	(61,382)	(3,811)
Income tax refund / (paid)	CF (115,528)	(389,804)	(372,357)	(208,625)	(132,640)	(151,202)
<b>Net cash flow from operating activities</b>	<b>1,922,845</b>	<b>1,310,528</b>	<b>1,425,435</b>	<b>490,125</b>	<b>1,413,738</b>	<b>549,956</b>
Purchase of property, plant & equipment	CF (952,272)	(1,657,468)	(1,299,100)	(684,088)	(467,793)	(346,618)
Purchase of intangible assets	CF (42,370)	(42,031)	(96,948)	(46,958)	(22,740)	(21,212)
Sale proceeds from disposal of property, plant and equipment	CF 95,021	23,176	22,402	21,767	29,988	7,761
Sale proceeds of open ended mutual fund units	CF -	-	-	546,048	884,555	50,000
Deferred Consideration paid	CF (207,017)	-	-	-	-	-
Purchased of open ended mutual fund units	CF -	-	-	(150,000)	(777,988)	(150,000)
Investment in National Foods DMCC, Acquisition of subsidiary	CF -	-	(182,429)	-	-	-
Purchase of treasury bills	CF -	-	-	(147,810)	-	-
Proceeds from sale of treasury bills	CF -	-	-	148,731	-	-
<b>Net cash flow from investing activities</b>	<b>(1,106,638)</b>	<b>(1,676,323)</b>	<b>(1,556,075)</b>	<b>(312,310)</b>	<b>(353,978)</b>	<b>(460,069)</b>
Proceeds from short term borrowings	CF -	288,000	1,262,000	1,000,000	508,696	550,000
Proceeds from long term finance	CF 504,387	325,290	289,613	-	-	-
Repayment of short term borrowings	CF (50,000)	-	(1,100,000)	(700,000)	(808,722)	(980,000)
Decrease in long term financing - net	(177,354)	(55,416)	-	-	-	-
Deferred consideration paid	-	(126,531)	-	-	-	-
Dividend paid	CF (386,925)	(432,477)	(284,158)	(1,031,839)	(412,814)	(166,781)
<b>Net cash flow from financing activities</b>	<b>(109,892)</b>	<b>(1,134)</b>	<b>167,455</b>	<b>(731,839)</b>	<b>(712,840)</b>	<b>(596,781)</b>
<b>Net cash flows</b>	<b>706,315</b>	<b>(366,929)</b>	<b>36,815</b>	<b>(554,024)</b>	<b>346,920</b>	<b>(506,894)</b>

## Statement of Value Added and its Distribution

	2019		2018	
	(Rupees in thousand)	%	(Rupees in thousand)	%
<b>Value Addition</b>				
Revenue	24,253,797		21,591,559	
Other Income	248,281		53,467	
	<u>24,502,078</u>	<u>100%</u>	<u>21,645,026</u>	<u>100%</u>
<b>Value Distribution</b>				
Cost of Sales	16,152,890	66%	13,864,956	64%
Distribution Expense	2,646,428	11%	3,109,263	14%
Administration and Other Operating Expense	849,025	3%	830,318	4%
Employees Remuneration	2,847,332	12%	2,471,353	12%
Finance Cost	283,306	1%	195,728	1%
Income Tax	352,381	1%	146,374	1%
Dividend to shareholders	621,642	3%	492,130	2%
Profit retained for Investment & Future Growth	748,873	3%	534,904	2%
	<u>24,502,078</u>	<u>100%</u>	<u>21,645,026</u>	<u>100%</u>



## Pattern of Shareholding

As of June 30, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
ABDUL MAJEED	1	4,751,968	3.82
ABRAR HASAN	1	12,261,914	9.86
ZAHID MAJEED	1	7,321,994	5.89
NOREEN HASAN	1	27,600	0.02
TOWFIQ H. CHINYOY	1	1,000	0.00
EHSAN ALI MALIK	1	600	0.00
<b>Associated Companies, undertakings and related parties</b>			
ATC HOLDINGS (PRIVATE) LIMITED (FORMERLY: ASSOCIATED TEXTILE CONSULTANTS (PVT) LTD)	1	41,229,268	33.16
<b>Executives</b>	-	-	-
<b>Public Sector Companies and Corporations</b>	1	674	0.00
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>	9	2,185,008	1.76
<b>Mutual Funds</b>			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	7,780	0.01
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	246,000	0.20
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	13,200	0.01
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	100,000	0.08
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	152,400	0.12
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	346,300	0.28
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	1	80,400	0.06
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	4,600	0.00
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	197,100	0.16
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	900	0.00
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	100,000	0.08
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	1,500	0.00
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	149,400	0.12
CDC-TRUSTEE ALHAMRA ISLAMIC PENSION FUND - EQUITY SUB FUND	1	40,800	0.03
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	67,200	0.05
<b>General Public</b>			
a. Local	1707	35,843,764	28.83
b. Foreign	1	4,000	0.00
<b>Foreign Companies</b>			
Others	24	154,375	0.12
<b>Totals</b>	<b>1766</b>	<b>124,328,227</b>	<b>100.00</b>

Shareholders holding 5% or more	Shares Held	Percentage
ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Pvt) Ltd)	41,229,268	33.16
ARISAIG INDIA FUND LIMITED	18,639,828	14.99
KHAWAR M. BUTT	15,275,344	12.29
ABRAR HASAN	12,261,914	9.86
ZAHID MAJEED	7,321,994	5.89



# Pattern of Shareholding

As of June 30, 2019

Number of Share Holders	Shareholdings' Slab		Total Shares Held
548	1	to 100	16,263
538	101	to 500	139,548
177	501	to 1000	130,523
283	1001	to 5000	668,992
65	5001	to 10000	463,560
49	10001	to 15000	602,504
14	15001	to 20000	240,934
10	20001	to 25000	232,711
5	25001	to 30000	137,973
3	30001	to 35000	95,894
5	35001	to 40000	184,204
6	40001	to 45000	257,500
5	45001	to 50000	243,784
1	50001	to 55000	54,900
2	55001	to 60000	118,500
9	60001	to 65000	558,033
1	65001	to 70000	67,200
1	75001	to 80000	78,840
1	80001	to 85000	80,400
3	85001	to 90000	261,916
2	95001	to 100000	200,000
1	110001	to 115000	112,300
1	140001	to 145000	144,000
2	145001	to 150000	299,400
2	150001	to 155000	304,400
2	195001	to 200000	395,100
2	235001	to 240000	474,480
1	245001	to 250000	246,000
1	275001	to 280000	276,000
1	330001	to 335000	331,700
1	345001	to 350000	346,300
1	395001	to 400000	398,520
1	405001	to 410000	408,000
1	450001	to 455000	451,893
1	475001	to 480000	480,000
1	490001	to 495000	491,016
1	510001	to 515000	514,382
1	515001	to 520000	516,840
3	805001	to 810000	2,424,060
1	825001	to 830000	827,524
1	895001	to 900000	896,419
1	1100001	to 1105000	1,105,000
1	1340001	to 1345000	1,340,073
1	1460001	to 1465000	1,462,500
1	1520001	to 1525000	1,524,376
1	2115001	to 2120000	2,116,279
1	2125001	to 2130000	2,127,170
1	4750001	to 4755000	4,751,968
1	7320001	to 7325000	7,321,994
1	12260001	to 12265000	12,261,914
1	15275001	to 15280000	15,275,344
1	18635001	to 18640000	18,639,828
1	41225001	to 41230000	41,229,268
1766			124,328,227

# Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

- The total number of directors are seven (07) as per the following:
  - Five (5) Males
  - Two (02) Female
- The composition of board is as follows:
 

**Independent Director**

Mr. Ehsan A Malik

Mr. Towfiq H Chinoy

**Executive Director**

Mr. Abrar Hasan

**Non-Executive Directors**

Mr. Abdul Majeed  
Mrs. Noreen Hasan  
Mrs. Saadia Naveed  
Mr. Zahid Majeed
- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The Board of Directors of the Company consists of 7 eminent directors, out of which six (6) directors are already certified under the Directors Training Program. Therefore, the Company is compliant with Regulation 20 of the Code of Corporate Governance, 2017.
- The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- CFO and CEO duly endorsed the financial statements before approval of the board.

## Statement of Compliance with the Code of Corporate Governance

12. The board has formed committees comprising of members given below::

**a) Audit Committee**

Mr. Ehsan A. Malik	Chairman
Mrs. Noreen Hasan	Member
Mrs. Saadia Naveed	Member
Mr. Zahid Majeed	Member

**b) HR and Remuneration Committee**

Mr. Tawfiq H Chinoy	Chairman
Mr. Abrar Hasan	Member
Mr. Ehsan A Malik	Member
Mr. Zahid Majeed	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

- a) Audit Committee – Four (04)
- b) HR and Remuneration Committee – Three (03)

15. The board has outsourced the internal audit function to M/s EY Ford Rhoades & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.



Chief Executive Officer



Director

## Review Report to the Members on the Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (“the Regulations”) prepared by the Board of Directors of **National Foods Limited** for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company’s process for identification of related parties and that whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

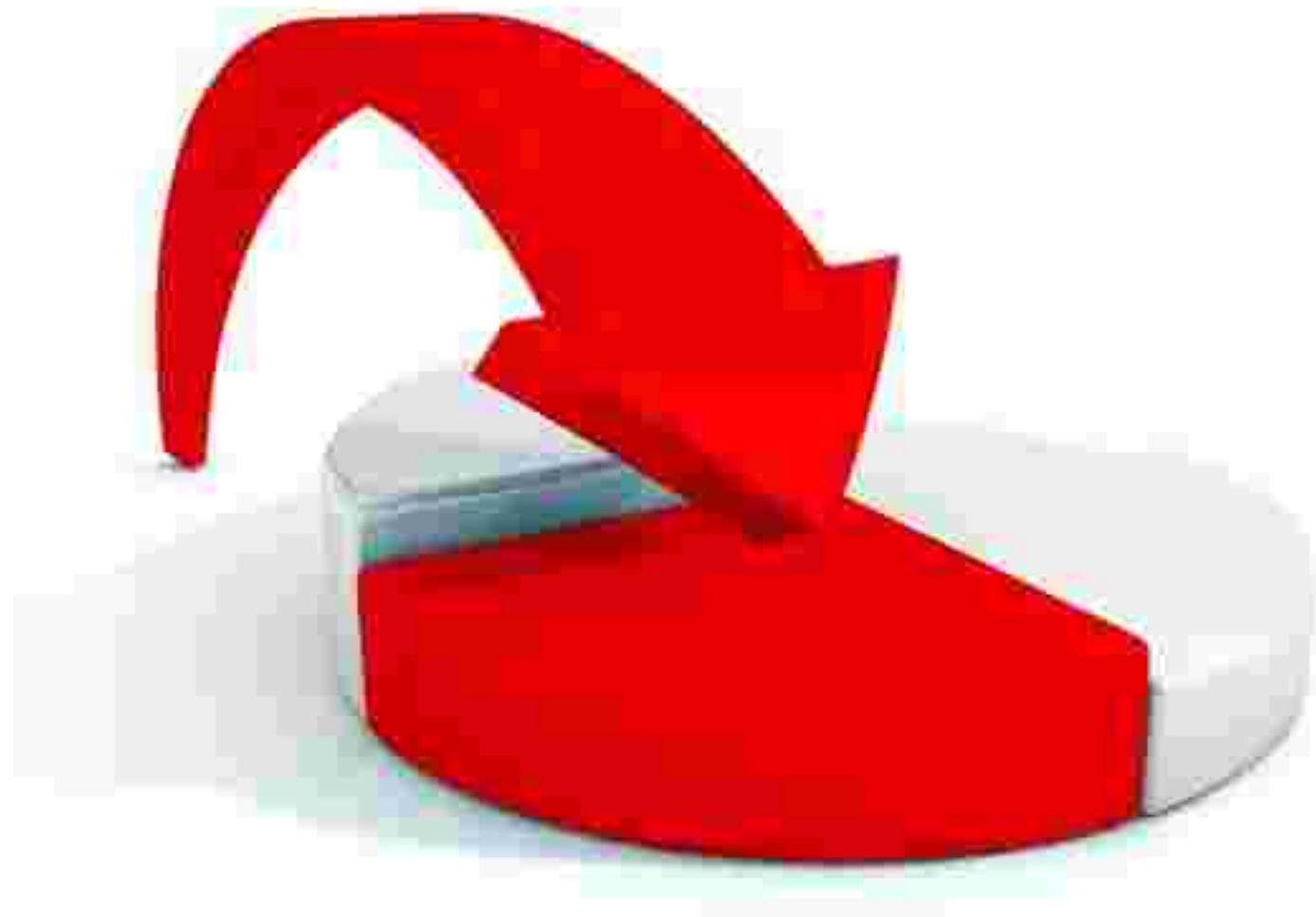
Date: 29 August 2019  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

Name of the Engagement Partner: Moneeza Usman Butt



# Standalone Financial Statements 2019



## Independent Auditors' Report to the Members of National Foods Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **National Foods Limited** (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditors' Report to the Members of National Foods Limited

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p><b>Revenue recognition</b></p> <p>Refer notes 4.1.1, 4.14, 22 and 34 to the Company's financial statements.</p> <p>Revenue is recognized from sale of goods in accordance with applicable accounting standards and measured at net of discounts, rebates, allowances and sales return. Further, 96% of export sales are made to related parties.</p> <p>We identified revenue recognition as key audit matter because of risk of incorrect measurement of revenue due to adjustments for discounts and rebates offered to customers and allowance for sales return. Further, revenue is one of the key performance indicators and there is a potential risk that revenue transactions may not be recognized in the appropriate period and risk of misapplication of the new accounting standard IFRS 15 "Revenue from Contracts with Customers".</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the Company's sale of goods process and related controls, including assessing the design and testing of the implementation and operating effectiveness of the relevant key controls over revenue recognition, the calculation of discounts and rebates and allowance for sales return including timing of revenue recognition;</li> <li>considering the appropriateness of the Company's accounting policies for revenue recognition including those relating to discounts, rebates and allowance for sales return and assessing compliance of those policies with applicable accounting standards;</li> <li>obtaining and inspecting a sample of contracts with customers to understand the conditions required for discounts, rebates and allowance for sales return;</li> <li>testing, on a sample basis, the accuracy of the amounts of discounts, rebates and allowance for sales return recognized by agreeing to individual customer agreements and performing recalculations;</li> <li>testing, on a sample basis, invoices and inspecting credit notes issued subsequent to year end for completeness and accuracy of revenue and accruals for discounts, rebates and allowances to the customers;</li> <li>comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period;</li> <li>reviewing management's IFRS 15 assessment to verify the reasonableness, accuracy and completeness of the impact on the financial statements of the Company including adequacy of disclosures; and</li> <li>obtaining an understanding of the nature of the revenue contracts entered into by the Company, tested a sample of sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the standard.</li> </ul>
2.	<p><b>Valuation of Trade Debtors</b></p> <p>Refer notes 4.1.2, 4.5, 9 and 37.2.1 to the Company's financial statements.</p>	<p>Our audit procedures to assess the valuation of debtors, among others involved the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of and assessing the design and testing implementation of management's</li> </ul>

# Independent Auditors' Report to the Members of National Foods Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>The Company has a significant balance of trade debts. Provision against doubtful debts is based on loss allowance for Expected Credit Loss (ECL).</p> <p>The ECL model has been adopted during the year due to the application of IFRS 9 'Financial Instruments'. Details about the application of the IFRS and its effect is given in note 4.1.2 to the financial statements.</p> <p>We identified valuation of trade debts as a key audit matter as it involves significant judgments and estimates in application of the expected credit loss model.</p>	<p>key internal controls relating to credit control process (including credit account application approvals and credit limit review);</p> <ul style="list-style-type: none"> <li>obtaining an understanding of management's basis for the determination of provision required at the year end and the receivables collection process;</li> <li>assessing the method used by the company for recognition of the impact of application of IFRS 9 with respect to provision for doubtful debts as allowable under IFRS 9 and assessing the reasonableness of assumptions of ECL;</li> <li>testing the accuracy of the data on a sample basis extracted from the Company's accounting system which has been used to calculate the provision required including subsequent recoveries;</li> <li>involving our specialist to review the methodology used in the ECL model and compare it against accepted best practice; and</li> <li>reviewing the adequacy of the Company's disclosure included in note 9 and note 37.2.1 to the accompanied unconsolidated financial statements.</li> </ul>
3.	<p><b>Valuation of Stock-in-trade</b></p> <p>Refer notes 4.8, 4.9 and 8 to the Company's financial statements.</p> <p>Stock-in-trade forms a significant part of the Company's total assets. Stock-in-trade comprise of raw material, work in process and finished good which are stated at lower of cost and estimated net realizable value.</p> <p>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost and provisions for expired and obsolete inventories involves significant management judgment and estimation.</p>	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of and assessing the design and testing implementation of management's controls designed to identify expired, obsolete as well as slow moving and stocks close to expiry;</li> <li>obtaining an understanding of and testing, on a sample basis, management's determination of NRV and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales, their basis of calculation, justification for the amount of the write-downs and provisions; and</li> <li>checking on a sample basis specific provision for expired, obsolete as well as slow moving and stocks close to expiry.</li> </ul>
4.	<p><b>Capitalization of Property, Plant and Equipment</b></p> <p>Refer notes 4.2 and 5 to the Company's financial statements.</p> <p>The Company has made significant capital expenditure on building on leasehold land and plant and machinery.</p> <p>We identified capitalization of property, plant and equipment as a key audit matter because there is a</p>	<p>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;</li> </ul>



## Independent Auditors' Report to the Members of National Foods Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	risk that amounts capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.	<ul style="list-style-type: none"> <li>• testing, on sample basis, the costs incurred on projects with supporting documentation and contracts;</li> <li>• assessing the nature of costs incurred for capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and</li> <li>• inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.</li> </ul>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud

## Independent Auditors' Report to the Members of National Foods Limited

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Date: 29 August 2019

Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

# Statement of Financial Position

AS AT JUNE 30, 2019

	Note	2019	2018
(Rupees in thousand)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	4,576,755	4,150,606
Intangibles	6	80,218	85,652
Long-term investment - subsidiary	7	31,719	31,719
Long-term deposits		39,611	40,473
		<u>4,728,303</u>	<u>4,308,450</u>
<b>Current assets</b>			
Stores, spare parts and loose tools		86,725	41,880
Stock in trade	8	3,955,698	3,072,291
Trade debts	9	901,348	889,385
Advances	10	108,256	102,144
Trade deposits and prepayments	11	42,290	36,863
Other receivables	12	1,909	5,764
Sales tax refundable		133,789	121,424
Cash and bank balances	13	400,298	229,728
		<u>5,630,313</u>	<u>4,499,479</u>
<b>TOTAL ASSETS</b>		<u><b>10,358,616</b></u>	<u><b>8,807,929</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and reserves</b>			
Authorised share capital			
1,000,000,000 (30 June 2018: 200,000,000) ordinary shares of Rs. 5 each	14.1	5,000,000	1,000,000
Share Capital			
Issued, subscribed and paid-up capital	14	621,641	518,034
Revenue Reserve			
Unappropriated profit		3,695,688	3,140,259
		<u>4,317,329</u>	<u>3,658,293</u>
<b>Non - current liabilities</b>			
Long-term finance	15	417,972	-
Deferred taxation - net	16	226,873	117,010
Deferred liabilities	17	70,346	42,366
		<u>715,191</u>	<u>159,376</u>
<b>Current liabilities</b>			
Trade and other payables	18	2,776,167	2,330,786
Contract liability	19	138,282	-
Short term borrowings	20	1,901,632	2,148,720
Unclaimed dividend		19,920	18,323
Long-term finance classified as current - secured	15	69,144	193,152
Mark-up accrued		28,624	14,766
Taxation - net		392,327	284,513
		<u>5,326,096</u>	<u>4,990,260</u>
<b>Commitments</b>	21		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>10,358,616</b></u>	<u><b>8,807,929</b></u>

The annexed notes 1 to 40 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
(Rupees in thousand)			
Sales	22	16,602,206	16,178,301
Cost of sales	23	(11,283,038)	(10,614,639)
<b>Gross profit</b>		<u>5,319,168</u>	<u>5,563,662</u>
Distribution costs	24	(2,922,212)	(3,361,085)
Impairment loss on trade debts	9.1	(17,283)	(107,681)
Administrative expenses	25	(1,005,904)	(767,127)
Other expenses	26	(108,753)	(210,531)
Other income	27	254,662	53,920
<b>Operating profit</b>		<u>1,519,678</u>	<u>1,171,158</u>
Finance costs	28	(157,070)	(108,388)
<b>Profit before taxation</b>		<u>1,362,608</u>	<u>1,062,770</u>
Taxation	29	(271,746)	(116,164)
<b>Profit after taxation</b>		<u>1,090,862</u>	<u>946,606</u>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit and loss account:			
Remeasurements of retirement benefit liability		(60,986)	(37,491)
Related deferred tax thereon		17,686	9,818
		<u>(43,300)</u>	<u>(27,673)</u>
<b>Total comprehensive income for the period</b>		<u><u>1,047,562</u></u>	<u><u>918,933</u></u>
<b>(Rupees)</b>			
<b>Earnings per share - basic and diluted</b>	30	<u>8.77</u>	<u>7.61</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

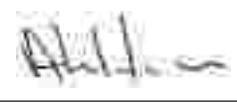


# Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid-up capital	Revenue reserve - unappropriated profit	Total
	(Rupees in thousand)		
Balance as at 30 June 2017	518,034	2,661,655	3,179,689
<b>Transaction with owners in the capacity as owners directly recorded in equity - distribution</b>			
Final dividend for the year ended 30 June 2017 @ Rs. 4.25 per share	-	(440,329)	(440,329)
<b>Total comprehensive income for the year ended 30 June 2018</b>			
Profit for the year	-	946,606	946,606
Other comprehensive income	-	(27,673)	(27,673)
	-	918,933	918,933
<b>Balance as at 30 June 2018</b>	<b>518,034</b>	<b>3,140,259</b>	<b>3,658,293</b>
<b>Transaction with owners in the capacity as owners directly recorded in equity - distribution</b>			
1 Ordinary share for each 5 shares held - allotted as bonus shares for the year ended 30 June 2018	103,607	(103,607)	-
Final dividend for the year ended 30 June 2018 @ Rs. 3.75 per share	-	(388,526)	(388,526)
<b>Total comprehensive income for the year ended 30 June 2019</b>			
Profit for the year	-	1,090,862	1,090,862
Other comprehensive income	-	(43,300)	(43,300)
	-	1,047,562	1,047,562
<b>Balance as at 30 June 2019</b>	<b>621,641</b>	<b>3,695,688</b>	<b>4,317,329</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Statement of Cash Flow

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	31	1,576,603	1,847,460
Finance cost paid		(143,212)	(102,313)
Income taxes paid		(36,383)	(363,102)
Retirement benefits		(42,367)	(5,785)
Long term deposits - net		862	(6,861)
<b>Net cash generated from operating activities</b>		<b>1,355,503</b>	<b>1,369,398</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(897,534)	(1,429,178)
Intangible assets		(42,370)	(42,031)
Proceeds from disposal of property, plant and equipment		95,021	23,176
<b>Net cash used in investing activities</b>		<b>(844,883)</b>	<b>(1,448,033)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term finance		293,964	51,358
Proceed from short term borrowings - net		(50,000)	288,000
Dividends paid		(386,925)	(432,477)
<b>Net cash used in generated from financing activities</b>		<b>(142,961)</b>	<b>(93,119)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>367,659</b>	<b>(171,753)</b>
Cash and cash equivalents at beginning of the period		(1,068,993)	(897,240)
<b>Cash and cash equivalents at end of the period</b>	32	<b>(701,334)</b>	<b>(1,068,993)</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on 19 February 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) by special resolution passed in the extra ordinary general meeting held on 30 March 1988. The Company is principally engaged in the manufacture and sale of convenience based food products. The Company is listed on Pakistan Stock Exchange. The registered office of the Company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

The parent entity of the Company is ATC Holdings (Private) Limited (formerly Associated Textile Consultants (Private) Limited) based on control model as provided under International Financial Reporting Standards 10 - 'Consolidated Financial Statements'.

These financial statements are separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of cost rather than on the basis of reported results. Consolidated financial statements are prepared separately. Detail of Company's investment in subsidiary company is given in note 7 to these financial statements.

The manufacturing facilities and sales offices of the Company are situated at the following locations:

### Factories:

- Unit F-160/ C, F- 133, S.I.T.E., Karachi.
- Office A-13, North Western Industrial Zone, Bin Qasim, Karachi.
- 5A/1, New Muslim Town, Muridke.
- 53-KM G.T. Road, Chainwala Mord Amanabad, Gujranwala.
- A-393, Nooriabad Industrial Estate, Nooriabad.

### Sales offices:

- Office No.107, 1st Floor Parsa Tower, Sharah-e-Faisal, Karachi.
- Banglow No. 225, Shahrah-e-Abbasi Akhuwat Nagar Society, Sukkur.
- 2nd Floor, Mall 2 Plaza Main Boulevard Kohinoor City, Jaranwala Road, Faisalabad.
- 18-CCA (Comercial Area), Phase VIII, DHA Lahore, Cantt.
- Plot No. 25, Din Plaza, Canal Road, Main Gate Canal View Housing Society, Gujranwala.
- 1st Floor, Bilal Complex, Main PWD Road, Sector O-9, Islamabad.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as stated otherwise in these financial statements.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless stated otherwise.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 2.4 Use of significant estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about judgments made by the management in the application of accounting policies, that have the most significant effects on the amount recognized in the financial statements and information about assumptions and estimation uncertainties with significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are described in the following:

### Property, plant and equipment / intangible assets

The Company reviews the rate of depreciation / amortization, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment / intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

### Stock in trade / stores, spares and loose tools

The management continuously reviews its inventory for existence of any items which may have become obsolete. These estimates are based on historical experience and are continuously reviewed and the cost of such stocks is fully provided for.

### Trade debts and other receivables - expected credit loss

These financial assets are adjusted for loss allowances that are measured at amount equal to lifetime expected credit loss that result from all possible default events over expected life of the financial asset.

### Provision for refund liability

Refund liability provisions are recognized as deduction from revenue based on terms of the arrangements with the customer and are included in trade and other payables. No asset is recognized for refunds as they are not anticipated to be resold. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### Retirement benefits obligations

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under this scheme in those years.

### Taxation

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain matters in the past.

## 3 ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 3.1 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

- There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2018. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

### 3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is assessing the potential impact of the standard on Company's lease arrangements.
- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aim clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company' financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below are consistently applied for all periods presented in these financial statements.

### 4.1 Changes in accounting policies

Explained below is the impact of the adoption of IFRS 15 'Revenue from Contracts with Customers' and early adoption of IFRS 9 'Financial Instruments' on the Company's unconsolidated financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

#### 4.1.1 IFRS 15 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

IFRS 15 replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for comparative period in these financial statements have not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The timing of revenue recognition of the Company under IFRS 15 is generally consistent with the previous standard, IAS 18 and related interpretations. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition of the Company. However, the amount of revenue to be recognized was affected as it changed the way Company accounts for consideration payable to customers, cost of fulfilling the service (performance obligation) to customer and certain payments to customers or consumers, all of which were previously shown as distribution expenses, to be shown as deductions from revenue or included in cost of sales.

Prior to adoption of IFRS 15, a provision for sales discounts and advance consideration received from customers was included in 'Trade and other payables' which now is reclassified in 'Contract liabilities' presented separately on statement of financial position. In addition, reclassification has been made from 'Trade and other payables' to 'Contract liabilities' for outstanding balance of advance from customers and sales discounts payable for prior year to provide comparison. Advances from customers amounting to Rs. 61.48 million represents advance consideration received from customers at the beginning of the period have been recognised as revenue for year ended 30 June 2019.

The impact of adoption of IFRS 15 on the statement of profit or loss and other comprehensive income for the year ended 30 June 2019 is as follows:

	As reported	Adjustments	"Amounts without adoption of IFRS 15"
	----- (Rupees '000) -----		
Revenue	16,602,206	804,580	17,406,786
Cost of Sales	(11,283,038)	58,463	(11,224,575)
Distribution Costs	(2,922,212)	(863,043)	(3,785,255)

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

Had the Company applied IFRS 15 retrospectively, the impact on the statement of profit or loss and other comprehensive income for the year ended 30 June 2018 would have been as follows:

	As reported without adoption of IFRS 15	Adjustments	Amounts with adoption of IFRS 15
	----- (Rupees '000) -----		
Revenue	16,178,301	496,777	15,681,524
Cost of Sales	(10,614,639)	65,424	(10,680,063)
Distribution Costs	(3,468,766)	(562,201)	(2,906,565)

Further contract liability as at 30 June 2018 amounting to Rs. 70 million would have been separately reported on statement of financial position which is included in trade and other payables. Moreover, the adoption of IFRS 15 requires more comprehensive disclosures of revenue, than the previous standard IAS 18 and its related interpretations, as disclosed in Note 22 of these Financial Statements. Apart from these changes, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described above. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

IFRS 15 did not have a significant impact on the accounting policies of the company.

## 4.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The IFRS 9 has been adopted without restating comparative information as allowed under the standard.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

### i Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

At present the Company has financial assets measured at amortized cost. Trade debts, deposits, advances, other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. The classification and measurement under IFRS 9 does not have any impact on Company's accounting policy.

Trade receivable is initially measured at transaction price and are subsequently measured at amortised cost using the effective interest method, net of impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The following explains the original and new classification and measurement categories under IAS 39 and under IFRS 9 respectively of the Company's significant financial assets:

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	"Original classification under IAS 39"	"New classification under IFRS 9"	"Original carrying amount under IAS 39"	"New carrying amount under IFRS 9"
<b>Financial Assets</b>				
Long-term deposits	"Loans and Receivables"	Amortised Cost	39,611	39,611
Trade debts	"Loans and Receivables"	Amortised Cost	901,348	901,348
Advances to employees	"Loans and Receivables"	Amortised Cost	942	942
Trade deposits	"Loans and Receivables"	Amortised Cost	9,000	9,000
Other receivables	"Loans and Receivables"	Amortised Cost	1,909	1,909
Cash and bank balances	"Loans and Receivables"	Amortised Cost	400,298	400,298
			<u>1,353,108</u>	<u>1,353,108</u>

## ii Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and other receivables. For trade receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Majority of debtors are regular customers of the Company and management uses actual historical credit loss experience, based on payment profile of credit sales over past year, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance. There is no significant impact from the new expected credit loss (ECL) impairment model under IFRS 9 on allowances and provisions for trade receivables and retained earnings of the Company as at 1 July 2018. Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss and other comprehensive income. As a result, the Company reclassified impairment losses amounting to Rs 107.7 million recognised under IAS 39 for comparative period, from 'distribution costs' to 'impairment loss on trade and other receivables' in the statement of profit or loss and other comprehensive income. During the year the Company recognised an impairment loss of trade debts under IFRS 9 expected credit loss model amounting to Rs. 17.28 million.

## 4.2 Property, plant and equipment

### Operating assets and depreciation

#### Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the items is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

#### Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment includes:

- its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates
- any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management; and
- Borrowing costs, if any.



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure (including normal repairs and maintenance)

Expenditures incurred to replace a significant component of an item of property, plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditures (including normal repairs and maintenance) is recognised in the profit or loss as an expense when it is incurred.

Depreciation

Depreciation on all items is charged on straight line method. The useful lives for depreciation are indicated in note 5.1.

Depreciation on additions to property, plant and equipment is charged from the month the asset is available for use upto the month of disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in the profit or loss.

## Capital work in progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

## 4.3 Intangibles

These are stated at cost less accumulated amortisation and impairment, if any. Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefit exceeding one year are recognised as intangible assets. Direct costs include the purchase cost of software and related overhead cost.

Amortisation charge is based on the straight-line method whereby the cost of an intangible is written off over its estimated useful life of three years.

## 4.4 Long term investment - subsidiary

Investment in subsidiary is stated at cost less impairment losses, if any.

## 4.5 Financial Instruments

### 4.5.1 Classification, recognition and measurement - Financial Assets

#### Classification

The Company classifies its financial assets in the following measurement categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at FVOCI. However the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive.

On initial recognition, the Company may, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

## Initial measurement - Financial Assets

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. However, at initial recognition, the Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component.

## Subsequent measurement

### Debt Investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

### Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.

### Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in profit or loss.

### Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

## 4.5.2 Non-derivative Financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent.

The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 4.5.2.1 Trade debts, deposits, advances and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Further, these assets are adjusted for loss allowances that are measured at amount equal to lifetime expected credit loss that result from all possible default events over expected life of the financial asset.

## 4.5.2.2 Cash and cash equivalents

For the purpose of presentation in statement of cash flow, cash and cash equivalents includes cash in hand, balances with banks and short term borrowings availed by the Company, which are repayable on demand and form an integral part of the Company's cash management.

## 4.5.3 Financial Liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

### 4.5.3.1 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset.

### 4.5.3.2 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

## 4.5.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

## 4.6 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to, or items recognised directly in equity or in other comprehensive income, in which case the tax amounts are recognized directly in other comprehensive income or equity, as the case may be.

### i) Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year; calculated using tax rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credit and tax rebates, if any, and is inclusive of any adjustments to income tax payable or recoverable in respect of previous years.

### ii) Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit or loss. Deferred tax liability is restricted to 92.99% (2018: 90.3%)

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

of the total deferred tax liability based on the assumptions that export sales will continue under Final Tax Regime and historical trend of export and local sales ratio will continue to be approximately the same in foreseeable future.

## 4.7 Employee retirement benefits

### Defined benefit plans

The Company operates a funded pension scheme and post retirement medical benefit for chief executive, one non-executive director and one former director. The liability recognised in the balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The latest actuarial valuation of the defined benefit plans was conducted at 30 June 2019.

Past service cost and the amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

### Defined contribution plan

The Company operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% per annum of the basic salary.

## 4.8 Stores, spare parts and loose tools

These are valued at weighted average cost less provision for slow moving and obsolete stores, spare parts and loose tools, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

## 4.9 Stock in trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined by weighted average method except for those in transit where it represents invoice value and other charges incurred thereon. Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale. Cost of work in process and finished goods includes direct cost of materials, direct cost of labour and production overheads.

## 4.10 Impairment losses

### 4.10.1 Financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

## 4.10.2 Non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indications exist, the assets' recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 4.11 Ijarah

In ijarah transactions' significant portion of the risks and rewards of ownership are retained by the lessor. Islamic Financial Accounting Standard 2 – 'Ijarah' requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit or loss on a straight-line basis over the ijarah term.

## 4.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

## 4.13 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupee using the exchange rates approximating those prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains / losses on translation are included in income currently.

## 4.14 Revenue recognition

Revenue is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer. It also specifies the accounting for the costs directly related to fulfilling a contract. Revenue from sale of goods is recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised on delivery of goods. Delivery occurs when the products have been shipped to / or and delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product.

The consideration which the Company receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. Revenue is measured based on the consideration specified in a contract with a customer, net of returns, amounts collected on behalf of third parties (sales taxes etc), pricing allowances, other trade discounts, volume rebates and couponing, price promotions to consumers / customers and any other consideration payable to customers. The level of discounts, allowances and promotional rebates are recognized, on estimated basis using historical experience and the specific terms of the arrangement, as a deduction from revenue at the time that the related sales are recognized or when such incentives are offered to the customer or consumer. Sales return provisions are recognized as deduction from revenue based on terms of the arrangements with the customer and are included in trade and other payables. No asset is recognized for returns as they are not anticipated to be resold. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company provides retrospective discounts to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. A contract liability is

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

recognised for expected discount payable to customers in relation to sales made until the end of the reporting period. Further, a contract liability is also recognised for short term advances that the Company receives from its customers.

## 4.15 Miscellaneous income

Miscellaneous income including export rebate is recognised on receipt basis.

## 4.16 Interest / Mark up income / late payment by trade debtors

Income on late payment by trade debtors is recognised on accrual basis.

## 4.17 Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

## 4.18 Income from debt securities

Income on bank deposit and debt securities is recognised on a time proportion basis using effective interest rate method.

## 4.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

## 4.20 Research and development

Research and development expenditure is charged to profit and loss account in the period in which it is incurred.

## 4.21 Dividends

Dividend distribution to the Company's shareholders and appropriations to / from reserves are recognised in the period in which these are approved.

## 5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets 5.1  
Capital work-in-progress 5.4

	2019	2018
	(Rupees in thousand)	
	4,078,212	3,355,740
	498,543	794,866
	<u>4,576,755</u>	<u>4,150,606</u>

**5.1 Operating fixed assets:**

	2019								
	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	(Rupees in thousand)								
<b>At 1 July 2018</b>									
Cost	232,549	1,957,832	2,050,344	151,332	218,534	183,724	40,968	80,454	4,915,737
Accumulated depreciation	(32,664)	(285,244)	(884,124)	(68,103)	(75,237)	(152,671)	(19,187)	(42,767)	(1,559,997)
<b>Net book value</b>	<b>199,885</b>	<b>1,672,588</b>	<b>1,166,220</b>	<b>83,229</b>	<b>143,297</b>	<b>31,053</b>	<b>21,781</b>	<b>37,687</b>	<b>3,355,740</b>
<b>Additions / transfer - note 5.4.1</b>	-	432,233	619,090	9,623	18,690	45,241	5,435	31,136	1,161,448
Disposals									
Cost	-	(8,454)	(74,734)	(21,698)	(26,593)	(45,440)	(5,985)	(54,455)	(237,359)
Accumulated depreciation	-	6,189	72,623	21,511	23,677	44,997	5,682	32,394	207,073
	-	(2,265)	(2,111)	(187)	(2,916)	(443)	(303)	(22,061)	(30,286)
Depreciation charge for the year	(4,195)	(59,611)	(246,372)	(22,800)	(34,528)	(26,228)	(3,569)	(11,387)	(408,690)
Closing net book value	195,690	2,042,945	1,536,827	69,865	124,543	49,623	23,344	35,375	4,078,212
<b>At 30 June 2019</b>									
Cost	232,549	2,381,611	2,594,700	139,257	210,631	183,525	40,418	57,135	5,839,826
Accumulated depreciation	(36,859)	(338,666)	(1,057,873)	(69,392)	(86,088)	(133,902)	(17,074)	(21,760)	(1,761,614)
<b>Net book value</b>	<b>195,690</b>	<b>2,042,945</b>	<b>1,536,827</b>	<b>69,865</b>	<b>124,543</b>	<b>49,623</b>	<b>23,344</b>	<b>35,375</b>	<b>4,078,212</b>
Useful life (years)	38 - 99	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	
	2018								
<b>At 1 July 2017</b>									
Cost	232,549	909,103	1,780,054	70,064	114,535	159,488	34,617	60,188	3,360,598
Accumulated depreciation	(28,469)	(237,505)	(698,256)	(53,049)	(51,357)	(129,131)	(16,105)	(43,093)	(1,256,965)
<b>Net book value</b>	<b>204,080</b>	<b>671,598</b>	<b>1,081,798</b>	<b>17,015</b>	<b>63,178</b>	<b>30,357</b>	<b>18,512</b>	<b>17,095</b>	<b>2,103,633</b>
<b>Additions / transfer - note 5.4.1</b>	-	1,048,729	283,452	84,237	104,807	25,112	6,720	40,061	1,593,118
Disposals									
Cost	-	-	(8,700)	(2,806)	(121)	(385)	-	(12,406)	(24,418)
Accumulated depreciation	-	-	4,800	2,806	97	313	-	7,596	15,612
	-	-	(3,900)	-	(24)	(72)	-	(4,810)	(8,806)
Depreciation charge for the year	(4,195)	(47,739)	(190,668)	(17,860)	(23,977)	(23,853)	(3,082)	(7,270)	(318,644)
Assets written off	-	-	(4,462)	(163)	(687)	(491)	(369)	(7,389)	(13,561)
Closing net book value	199,885	1,672,588	1,166,220	83,229	143,297	31,053	21,781	37,687	3,355,740
<b>At 30 June 2018</b>									
Cost	232,549	1,957,832	2,050,344	151,332	218,534	183,724	40,968	80,454	4,915,737
Accumulated depreciation	(32,664)	(285,244)	(884,124)	(68,103)	(75,237)	(152,671)	(19,187)	(42,767)	(1,559,997)
<b>Net book value</b>	<b>199,885</b>	<b>1,672,588</b>	<b>1,166,220</b>	<b>83,229</b>	<b>143,297</b>	<b>31,053</b>	<b>21,781</b>	<b>37,687</b>	<b>3,355,740</b>
Useful life (years)	38 - 99	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	

**5.2 The depreciation charge for the year has been allocated as follows:**

	2019	2018
	(Rupees in thousand)	
Cost of sales	23	23
Distribution costs	24	24
Administrative expenses	25	25
	<b>305,912</b>	<b>238,447</b>
	<b>16,966</b>	<b>16,451</b>
	<b>85,812</b>	<b>63,746</b>
	<b>408,690</b>	<b>318,644</b>

**5.3 The details of property, plant and equipment having net book value of Rs. 500,000 and above sold / disposed of during the year are as follows:**

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser and relationship
	(Rupees in thousand)						
Vehicles	897	30	867	897	30	Company Policy	Khwaja Omer Company's Executive
Vehicles	1,204	60	1,144	1,177	33	Company Policy	Muhammad Farooq Company's Executive
Vehicles	799	40	759	948	189	Company Policy	Syed Waqar Ahmed Company's Executive
<b>Total</b>	<b>2,900</b>	<b>130</b>	<b>2,770</b>	<b>3,022</b>	<b>252</b>		

**5.4 Capital work-in-progress (CWIP)**

Civil works  
Plant and machinery  
Office equipment  
Advance against acquisition of land  
Advance against furniture

2019	2018
(Rupees in thousand)	
<b>173,484</b>	252,008
<b>107,473</b>	323,112
<b>7,092</b>	8,972
<b>210,494</b>	210,194
-	580
<b>498,543</b>	<b>794,866</b>

**5.4.1 During the year the additions to CWIP and transfer of respective assets amounted to Rs. 548.296 million (2018: Rs. 951.8 million) and Rs. 850.59 million (2018: Rs. 1,102.4 million) respectively.**

**5.5 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:**

Location	Usage of immovable property	Total Area (In Sq. Ft.)	Covered Area (In Sq. Ft.)
Corporate office	Office Building	45,099	40,589
S.I.T.E.	Manufacturing plant	76,491	62,029
Port Qasim	Manufacturing plant	435,600	265,556
Nooriabad	Manufacturing plant	602,951	120,112
Muridke	Manufacturing plant	137,196	22,500
Gujranwala	Manufacturing plant	130,000	36,000
Multan	Warehouse	43,560	43,560



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>6. INTANGIBLES</b>			
Computer software and ERP System	6.1	77,083	70,196
Systems under development	6.2	3,135	15,456
		<u>80,218</u>	<u>85,652</u>
<b>6.1 Computer software and ERP System</b>			
<b>Net carrying value basis</b>			
Opening net book value		70,196	53,087
Additions (at cost) / transfer		54,732	59,062
Amortisation for the year		(47,804)	(41,953)
Closing net book value		<u>77,124</u>	<u>70,196</u>
<b>Gross carrying value basis</b>			
Cost		272,920	259,116
Accumulated amortisation		(195,837)	(188,920)
Net book value		<u>77,083</u>	<u>70,196</u>
Useful life (years)		<u>3</u>	<u>3</u>

6.1.1 The amortization charge for the year has been allocated as follows:

		2019	2018
		(Rupees in thousand)	
Distribution costs	24	591	886
Administrative expenses	25	47,213	41,067
		<u>47,804</u>	<u>41,953</u>

6.2 This represent amount given to vendor for the development of software which is expected to be capitalised next year.

		2019	2018
		(Rupees in thousand)	
<b>7. LONG TERM INVESTMENT</b>			
National Foods DMCC, Dubai, UAE			
1,188 shares of AED 1,000 each		<u>31,719</u>	<u>31,719</u>

7.1 This represents investment in wholly owned (100%) subsidiary which was set up in United Arab Emirates in 2012 and is carried at cost. The subsidiary was formed as a limited liability company and commenced operations from March 2013.

7.2 National Foods DMCC (NF DMCC) was registered on 7 November 2012 in Dubai Multi Commodities Centre ("DMCC") pursuant to Dubai (DMCC) Law No. 4 of 2001 and operates in the United Arab Emirates ("UAE") under a trade license issued by DMCC.

The primary objective of NF DMCC is to boost export sales of its parent company through trading in food stuff and other services. NF DMCC also has following two wholly owned direct subsidiaries and one indirect subsidiary as follows:

## National Foods Pakistan (UK) Limited

National Foods Pakistan (UK) Limited was incorporated in United Kingdom on 29 May 2013 as a private company under the UK Companies Act, 2006. The company is a wholly owned subsidiary of National Foods DMCC and is principally engaged in the trading of food products.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## National Epicure Inc.

National Epicure Inc. ("NEI") was incorporated in Canada on 16 October 2013 under the Canada Business Corporations Act. NEI is a wholly owned subsidiary of National Foods DMCC. NEI is principally engaged in the trading of food products.

## A-1 Bags & Supplies Inc.

A 1 Bags & Supplies Inc. (the "Company") was incorporated under the Business Corporations Act of Ontario on March 14, 2001. National Epicure Inc. acquired 60% holding in A-1 Bags and Supplies in the year 2017 and is principally engaged in distribution and wholesale of food products, disposables, janitorial and sanitation products.

		2019	2018
		(Rupees in thousand)	
<b>8. STOCK-IN-TRADE</b>			
Raw materials including goods in transit of Rs. Nil (2018: Rs.Nil)		924,038	847,256
Provision for obsolescence		(19,652)	(72,358)
		<u>904,386</u>	<u>774,898</u>
Packing materials		463,356	361,458
Provision for obsolescence		(42,867)	(68,306)
		<u>420,489</u>	<u>293,152</u>
Work in process		1,671,610	1,372,107
Provision for obsolescence		(31,133)	(4,086)
		<u>1,640,477</u>	<u>1,368,021</u>
Finished goods	8.1 & 8.2	1,047,006	694,746
Provision for obsolescence		(56,660)	(58,526)
		<u>990,346</u>	<u>636,220</u>
		<u>3,955,698</u>	<u>3,072,291</u>

8.1 Stock in trade includes Rs. 2.04 billion (2018: Rs. 1.69 billion) held with third parties for the purpose of further distribution to end customers and packaging purposes.

8.2 The above balances include items costing Rs. 65.17 million (2018: Rs. 43.69 million) valued at net realisable value of Rs. 47.29 million (2018: Rs. 32.1 million).

8.3 During the year, the Company has made a provision of Rs. 59.2 million for obsolescence (2018: Rs. 107.64 million) and has written off stocks against the provision amounting to Rs. 53.9 million (2018: Rs. 24.3 million).

		2019	2018
		(Rupees in thousand)	
<b>9. TRADE DEBTS</b>			
Considered good - unsecured			
- Related parties	9.2	597,371	625,471
- Others		303,977	263,914
		<u>901,348</u>	<u>889,385</u>
Considered doubtful		69,564	113,774
		<u>970,912</u>	<u>1,003,159</u>
Allowance for impairment	9.3	(69,564)	(113,774)
		<u>901,348</u>	<u>889,385</u>

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

9.1 The movement in the allowance for impairment for trade debts is as follows:

	2019	2018
	(Rupees in thousand)	
Opening allowance for impairment	113,774	6,093
Charge for the year - net*	17,283	107,681
Write-off during the period	(61,493)	-
Closing allowance for impairment	<u>69,564</u>	<u>113,774</u>

\*During the year the Company has recovered Rs. 7 Million which had been written off in the prior period.

9.2 Receivable from related parties

Premier Distributor*	-	32,806
Premier Agency*	-	50,707
National Foods DMCC	597,371	541,958
	<u>597,371</u>	<u>625,471</u>

9.2.1 The maximum aggregate amount due from the related party at the end of any month during the year are as follows:

	2019	2018
	(Rupees in thousand)	
Premier Distributor*	-	193,237
Premier Agency*	-	120,496
National Foods DMCC	615,200	654,445
	<u>615,200</u>	<u>968,178</u>

These parties were no more related to the Company during the current period.

As at 30 June 2019, the gross amount of trade debts due from related parties is Rs. 597.4 million (2018: Rs. 625.5 million) out of which Rs. 207.67 million (2018: Rs. 49.08 million) were past due. The age analysis of these trade debts is as follows:

	2019	2018
	(Rupees in thousand)	
Up to 3 months	207,673	37,763
3 to 6 months	-	10,981
More than 6 months	-	333
	<u>207,673</u>	<u>49,077</u>

9.3 This includes allowance for impairment against receivable from related party amounting to Rs. NIL (2018: Rs. 3.68 million).

9.4 The Company has made export sales amounting to Rs. 1,223.3 million. Exports sales represents sales made to NF DMCC - a wholly owned subsidiary of the Company and other customers, in United Arab Emirates and Afghanistan.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

10. ADVANCES

Considered good

Employees - against expenses 10.1 942

Suppliers 10.1 107,314 102,144

Considered doubtful

Suppliers 27,684 3,413

135,940 105,557

(27,684) (3,413)

108,256 102,144

10.1 These advances do not carry any mark up arrangement.

11. TRADE DEPOSITS AND PREPAYMENTS

Considered good

Deposits 9,000 9,000

Prepayments 33,290 27,863

42,290 36,863

Considered doubtful

Deposits - 1,553

42,290 38,416

- (1,553)

42,290 36,863

Provision for doubtful deposits

11.1 These trade deposits and prepayments are mainly against rent, insurance and utilities. These do not carry any mark up arrangement.

12. OTHER RECEIVABLES

Due from related parties

- ATC Holdings (Private) Limited (formerly Associated

Textile Consultants (Private) Limited) 1,511 861

- Director - 197

1,511 1,058

Others 12.1 398 4,706

1,909 5,764

12.1 The balances due from related parties are past due by more than six months but not considered impaired.



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>13. CASH AND BANK BALANCES</b>			
Cash in hand		984	1,295
Cash at bank - current account			
- local currency	13.1	149,872	94,649
- foreign currency		249,442	133,784
		399,314	228,433
		<u>400,298</u>	<u>229,728</u>

13.1 The current accounts are placed with banks under conventional banking arrangements.

## 14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
Number of Shares			(Rupees in thousand)	
2,511,980	2,511,980	Ordinary shares of Rs. 5 (2018: Rs. 5) each issued for consideration paid in cash	12,560	12,560
121,816,247	101,144,878	Ordinary shares of Rs. 5 (2018: Rs. 5) each as fully paid bonus shares	609,081	505,724
<u>124,328,227</u>	<u>103,656,858</u>		<u>621,641</u>	<u>518,284</u>

14.1 The Company in its annual general meeting held on 18 October 2018 passed special resolution for the increase in authorized capital from 1,000 million to 5,000 million with power to increase or reduce as the Company may think fit. The Company may subdivide or consolidate its share in accordance with the provisions of the Companies Act, 2017.

14.2 As at 30 June 2019, ATC Holdings (Private) Limited (formerly Associated Textile Consultants (Private) Limited) (ultimate parent company) held 41,229,268 (2018: 34,357,724) ordinary shares of the Company.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>15. LONG TERM FINANCE</b>			
Secured long-term finances utilised under mark-up arrangements		487,116	-
Classified under current liability		69,144	193,152
		<u>417,972</u>	<u>193,152</u>

15.1 This represents long term finance facility of Rs. 250 million for ten years and long term loan of Rs. 300 million for six years obtained from commercial bank having mark-up at the rate of State Bank of Pakistan base rate + 0.3% (effective rate: 3.3%) and 3 months Kibor + 0.1% respectively. The loan is secured by way of hypothecation of Company's present and future fixed assets. The unavailed portion of the facility at the reporting date is Rs. 62.88 million.

		2019	2018
		(Rupees in thousand)	
<b>16. DEFERRED TAXATION - net</b>			
Credit / (debit) balance arising in respect of:			
Accelerated tax depreciation / amortisation		371,105	254,458
Provision for stock obsolescence		(40,536)	(53,232)
Provision for doubtful trade debts		(18,760)	(29,794)
Provision for retirement benefits obligations and other provisions		(84,936)	(54,422)
		<u>226,873</u>	<u>117,010</u>
<b>17. DEFERRED LIABILITIES</b>			
Pension Plan		34,276	11,715
Pensioners' Medical Plan		36,070	30,651
		<u>70,346</u>	<u>42,366</u>

17.1 The Company operates a funded pension scheme and post retirement medical benefit for chief executive, one non-executive and one former director. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at 30 June 2019.

17.2 Plan assets held in trust are governed by local regulations which mainly include the Trust Act, 1882, the Companies Act, 2017, the Income Tax Rules, 2002 and Rules under the Trust Deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the Trustees and all Trustees are employees of the Company.

17.3 The latest actuarial valuation of the Fund as at 30 June 2019 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 17.4 Balance sheet reconciliation

	Pension Plan		Pensioners' Medical Plan	
	2019	2018	2019	2018
	(Rupees in thousand)		(Rupees in thousand)	
Present value of defined benefit obligations	156,293	126,254	81,984	49,965
Fair value of plan assets	(122,017)	(114,539)	(45,914)	(19,314)
	<u>34,276</u>	<u>11,715</u>	<u>36,070</u>	<u>30,651</u>
<b>17.5 Movement in the net liability recognised in the</b>				
Opening balance	11,715	3,685	30,651	2,338
Remeasurements recognised in other comprehensive income	28,914	4,015	32,072	33,476
Charge / (income) for the year	5,362	4,015	3,999	622
Contribution made	(11,715)	-	(30,651)	(5,785)
Payments made to members (beneficiaries)	-	-	(4,131)	-
Closing balance	<u>34,276</u>	<u>11,715</u>	<u>31,940</u>	<u>30,651</u>
<b>17.6 Remeasurements recognised in other comprehensive income</b>				
Re-measurements: Actuarial (gain) / loss on obligation				
- Loss due to change in financial assumptions	1,904	452	(852)	(141)
- Loss due to change in experience adjustments	16,044	3,078	31,017	33,580
Actuarial (gain) / loss on defined benefit obligation	<u>17,948</u>	<u>3,530</u>	<u>30,165</u>	<u>33,439</u>
Re-measurements: Actuarial (gain) / loss on plan assets				
- Actual return on plan assets	472	9,120	80	1,477
- Interest income on plan assets	11,438	9,605	1,986	1,514
Net re-measurement recognised in other comprehensive income	<u>10,966</u>	<u>485</u>	<u>1,906</u>	<u>37</u>
Total defined benefit cost recognised in profit and loss account and other comprehensive income	<u>28,914</u>	<u>4,015</u>	<u>32,071</u>	<u>33,476</u>
<b>17.7 Expense recognised in profit and loss account</b>				
Component of defined benefit costs recognized in profit and loss account				
Current service cost	4,185	3,691	1,076	426
Net interest cost				
- Interest cost on defined benefit obligation	12,615	9,929	4,909	1,710
- Return on plan assets	(11,438)	(9,605)	(1,986)	(1,514)
	<u>1,177</u>	<u>324</u>	<u>2,923</u>	<u>196</u>
	<u>5,362</u>	<u>4,015</u>	<u>3,999</u>	<u>622</u>
<b>17.8 Movement in the present value of defined benefit obligations</b>				
Obligation as at July 1	126,254	113,813	49,965	20,175
Current service cost	4,185	3,691	1,076	426
Interest cost	12,615	9,929	4,909	1,710
Benefits paid	(4,709)	(4,709)	(4,131)	(5,785)
Actuarial loss / (gain)	17,948	3,530	30,165	33,439
Obligation as at June 30	<u>156,293</u>	<u>126,254</u>	<u>81,984</u>	<u>49,965</u>
<b>17.9 Movement in the fair value of plan assets</b>				
As at July 1	114,539	110,128	19,314	17,837
Expected return on plan assets	11,438	9,605	1,986	1,514
Contribution made	11,715	-	30,651	5,785
Benefits paid	(4,709)	(4,709)	(4,131)	(5,785)
Actuarial (loss) / gain	(10,966)	(485)	(1,906)	(37)
As at June 30	<u>122,017</u>	<u>114,539</u>	<u>45,914</u>	<u>19,314</u>
<b>17.10 Plan assets comprise of the following:</b>				
Special Savings Certificates	5,880	83,753	2,412	14,123
Cash at bank	105,808	16,024	4,237	2,702
Investment in mutual fund	10,330	14,762	43,396	2,489
	<u>122,018</u>	<u>114,539</u>	<u>50,045</u>	<u>19,314</u>

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 17.11 Principal actuarial assumptions

Expected rate of increase in salaries	14.50%
Expected rate of increase in pension	9.50%
Expected rate of increase in medical benefits	14.50%
Discount factor used	14.50%
Mortality rate	SLIC 2001 - 2005
Rates of employee turnover	Moderate

2019	2018
14.50%	10.00%
9.50%	5.00%
14.50%	10.00%
14.50%	10.00%
SLIC 2001 - 2005	SLIC 2001 - 2005
Moderate	Moderate

## 17.12 Components of defined benefit cost for the next year

Current service cost	5,551	1,840
Interest cost on defined benefit obligation	22,733	11,666
Interest income on plan assets	(17,734)	(7,338)
Net interest cost	4,999	4,328
Cost for the next year to be recognized in statement of profit and loss	<u>10,550</u>	<u>6,168</u>

2020	
Pension Plan	Pensioners' Medical Plan
(Rupees in thousand)	
5,551	1,840
22,733	11,666
(17,734)	(7,338)
4,999	4,328
<u>10,550</u>	<u>6,168</u>

**17.13** In case of the funded plans, the Company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2019 consists of special savings certificates ("SSC") majority of which has matured near the end of the year. The Company believes that SSC offer the best returns over the long term with an acceptable level of risk.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

## 17.14 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Change in assumption	Impact on defined benefit obligation - Increase / decrease in liability	
(Rupees in thousand)		
2019		
Discount rate at June 30	1.00%	210,078
Future salary increases	1.00%	164,462
Future pension increases	1.00%	170,879
Medical cost increases	1.00%	92,648
		73,114
2018		
Discount rate at June 30	1.00%	154,368
Future salary increases	1.00%	133,575
Future pension increases	1.00%	138,098
		203,098
		119,402
		115,973



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

**17.15** The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of the related obligation.

**17.16** The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 12.32 years and 10.92 years respectively.

**17.17** During the year, the Company contributed Rs. 80.98 million (2018: Rs. 93.68 million) to the provident fund.

		2019	2018
		(Rupees in thousand)	
<b>18.</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Creditors	293,092	450,814
	Accrued liabilities	2,035,709	1,476,889
	Workers' Profit Participation Fund	67,623	58,111
	Workers' Welfare Fund	99,364	79,903
	Payable to Provident Fund	4,218	11,799
	Refund Liabilities	38,752	-
	Advances from customers - unsecured	-	65,254
	Tax deducted at source	137,668	92,192
	Advances from employees against sale of vehicles	85,426	78,387
	Other liabilities	14,284	17,437
	Due to related party		
	- Director	31	-
		<u>2,776,167</u>	<u>2,330,786</u>
<b>18.1</b>	<b>Workers' Profit Participation Fund</b>		
	Payable / (receivable) as at July 1	58,111	68,713
	Allocation for the year	64,887	57,736
		<u>122,998</u>	<u>126,449</u>
	Amount paid during the year	(55,375)	(68,338)
	Payable as at June 30	<u>67,623</u>	<u>58,111</u>

**18.2** All investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the conditions specified thereunder.

**18.3** This relates to consideration received from the customers for goods sold which the Company expects to fully or partially refund to the customers in accordance with the requirements of IFRS 15 for goods to be returned.

**18.4** This relates to remuneration payable to director.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>19.</b>	<b>CONTRACT LIABILITY</b>		
	Sales discount payable	63,320	-
	Advances from customers	74,962	-
		<u>138,282</u>	<u>-</u>
<b>20.</b>	<b>SHORT-TERM BORROWINGS</b>		
	Secured		
	Conventional		
	Running finance under mark up arrangements	805,047	935,671
	Export re-finance	500,000	400,000
	Money market loan	300,000	450,000
	Islamic		
	Running finance under Musharakah	296,585	363,049
		<u>1,901,632</u>	<u>2,148,720</u>

**20.1** The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 7.00% to 13.9% (2018: 6.30% to 7.02%) per annum.

**20.2** The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The effective rates of mark-up on this facility is 3.0% (2018: 3.5%) per annum.

**20.3** The loan is availed from various commercial banks for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 7.01% to 13.3% (2018: 6.26 to 7.06%) per annum.

**20.4** The Company has obtained facilities for short term finance under Running Musharakah. The effective rate of profit is 7.00% to 13.9% (2018: 6.18% to 6.97%) per annum. This facility matures within twelve months and is renewable.

**20.5** The facilities available from various banks amount to Rs. 2.74 billion (2018: Rs. 3.19 billion). The arrangements are secured by way of pari-passu charge against hypothecation of Company's current and future movable assets of the Company having aggregate charge amounting to Rs. 3.99 billion.

**20.6** As at 30 June 2019, the unavailed facilities from the above borrowings amounted to Rs. 0.84 billion (2018: Rs.1.09 billion).

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 21. COMMITMENTS

- 21.1** The facilities for opening letters of credit amount to Rs. 1.79 billion (2018: Rs. 1.59 billion) and for letters of guarantee amount to Rs. 141 million (2018: Rs. 141 million) as at 30 June 2019 of which the amount remaining unutilised at year end were Rs. 1.34 billion (2018: Rs. 1.34 billion) and Rs. 104.26 million (2018: Rs. 104.26 million) respectively.
- 21.2** Aggregate commitments for capital expenditure as at 30 June 2019 amount to Rs. 411.96 million (2018: Rs. 527.18 million).
- 21.3** Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.6% to six months KIBOR + 0.9% (2018: six months KIBOR + 0.6% to six months KIBOR + 0.9%) per annum for rentals payable monthly as at 30 June 2019 amount to:

	2019	2018
	(Rupees in thousand)	
Not later than one year	86,338	73,447
Later than one year but not later than five years	140,617	114,997
	<u>226,955</u>	<u>188,444</u>

## 22. SALES

	2019	2018
	(Rupees in thousand)	
- Local sales	23,915,209	21,785,441
- Export sales	1,223,300	1,194,877
Gross sales	25,138,509	22,980,318
Less: Sales tax	(3,344,034)	(2,923,000)
	<u>21,794,475</u>	<u>20,057,318</u>
Less:		
- Discount, rebates and allowances	(4,787,473)	(3,632,561)
- Sales return	(404,796)	(246,456)
	<u>(5,192,269)</u>	<u>(3,879,017)</u>
	<u>16,602,206</u>	<u>16,178,301</u>

- 22.1** Exports sales represents sales made to NF DMCC - a wholly owned subsidiary of the Company and other customers, in United Arab Emirates and Afghanistan.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 22.2 DISAGGREGATION OF REVENUE

As required for the unconsolidated financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

### Primary geographical markets:

Local  
United Arab Emirates  
Afghanistan

### Major Product Lines:

Food Products  
Kitchen Products

	2019	2018
	(Rupees in thousand)	
Local	23,915,210	21,785,441
United Arab Emirates	1,170,480	1,194,877
Afghanistan	52,820	-
	<u>25,138,509</u>	<u>22,980,318</u>
Food Products	9,471,689	9,271,868
Kitchen Products	15,666,820	13,708,450
	<u>25,138,509</u>	<u>22,980,318</u>

## 23. COST OF SALES

	2019	2018
	(Rupees in thousand)	
Raw material consumed	6,287,378	6,031,394
Packing material consumed	3,025,852	2,636,651
Stores and spares consumed	242,001	174,744
Brine and cutting charges	39,829	85,794
Salaries, wages and other benefits	1,098,637	1,008,075
Contribution to provident fund	17,949	14,789
Depreciation	305,912	238,447
Ujarah payments	24,944	19,334
Fuel and power	344,335	290,241
Insurance	20,391	21,721
Laboratory, research and development	12,296	9,525
Postage and communications	5,276	3,455
Printing and stationery	870	807
Rent, rates and taxes	186,017	149,012
Travelling	154,423	110,512
Repairs and maintenance	71,714	73,351
Security charges	23,090	14,908
Inventory destruction charges	23,303	37,578
Others	25,403	12,460
	<u>11,909,620</u>	<u>10,932,798</u>
Opening work in process	1,368,021	1,056,507
Closing work in process	(1,640,477)	(1,368,021)
Cost of goods manufactured	<u>11,637,164</u>	<u>10,621,284</u>
Opening stock of finished goods	636,220	629,575
Closing stock of finished goods	(990,346)	(636,220)
	<u>11,283,038</u>	<u>10,614,639</u>



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>24. DISTRIBUTION COSTS</b>			
Salaries, wages and other benefits		761,530	749,085
Advertising and sales promotion		896,967	1,356,381
Commission expense		-	45,283
Outward freight and handling charges		709,108	614,729
Contribution to provident fund		20,987	18,373
Depreciation	5.2	16,966	16,451
Amortisation	6.1.1	591	886
Ujrah payments		37,187	30,070
Fuel and power		3,451	6,440
Forwarding charges		91,984	75,065
Insurance		15,161	20,371
Laboratory, research and development		868	663
Professional charges		733	36
Printing and stationery		3,448	3,223
Rent, rates and taxes		172,647	177,736
Travelling		164,855	144,944
Repairs and maintenance		23,725	11,387
Security charges		3	-
Others		2,001	89,962
		<u>2,922,212</u>	<u>3,361,085</u>

		2019	2018
		(Rupees in thousand)	
<b>25. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits	25.1	408,550	301,628
Contribution to provident fund		14,311	11,472
Depreciation	5.2	85,812	63,746
Amortisation	6.1.1	47,213	41,067
Ujrah payments		27,501	22,082
Fuel and power		30,781	27,101
Insurance		11,639	5,058
Legal and professional charges		52,062	43,907
Postage and communications		22,745	43,272
Printing and stationery		5,520	5,411
Rent, rates and taxes		6,365	12,776
Travelling		65,339	47,225
Repairs and maintenance		126,570	110,760
Security charges		10,692	18,517
Others		88,127	13,105
Advertising and sales promotion		2,677	-
		<u>1,005,904</u>	<u>767,127</u>

25.1 Salaries, wages and other benefits include Rs. 9.36 million (2018: Rs. 4.64 million) in respect of charge for retirement benefit plans.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>26. OTHER EXPENSES</b>			
Workers' Profits Participation Fund		64,887	57,736
Workers' Welfare Fund		22,317	13,217
Auditors' remuneration	26.1	3,462	3,055
Donations	26.2	18,087	11,233
Others		-	125,290
		<u>108,753</u>	<u>210,531</u>
<b>26.1 Auditors' remuneration</b>			
Audit fee		1,850	1,998
Limited review, special reports and other certifications		1,332	837
Out of pocket expenses		280	220
		<u>3,462</u>	<u>3,055</u>
<b>26.2 Donations to following Organizations and Trusts exceed 10% of the company's total amount of donation or Rs. 1 million, whichever is higher:</b>			
The Citizens Foundation		10,400	6,500
Saylani Welfare Trust		-	4,019
		<u>10,400</u>	<u>10,519</u>

Donations did not include any amount paid to any person or organization or institution in which a director or his/her spouse had any interest.

		2019	2018
		(Rupees in thousand)	
<b>27. OTHER INCOME</b>			
Exchange gain	27.1	204,949	24,790
Return on savings account and term deposits - conventional		4,776	2,190
Return on late payments by trade debtors		-	2,386
Profit on disposal of property, plant and equipment		32,324	14,370
Export rebate		1,915	3,443
Rental income		8,687	6,741
Others		2,011	-
		<u>254,662</u>	<u>53,920</u>

27.1 Income earned from exchange gain is actual currency and not from derivative financial instrument.

		2019	2018
		(Rupees in thousand)	
<b>28. FINANCE COSTS</b>			
Mark-up on:			
- Short-term running finances	28.1	69,002	37,183
- Export refinance facility		9,521	12,721
- Short-term loans	28.2	19,269	35,011
- Long-term loans	28.3	31,558	4,709
Bank charges and other costs		27,720	18,764
		<u>157,070</u>	<u>108,388</u>

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

- 28.1** This represents markup on running finance balance obtained from commercial banks.  
**28.2** This represents markup on short term loans obtained from Islamic banks.  
**28.3** This represents markup on long term loan obtained from conventional banks.

	2019	2018
(Rupees in thousand)		
<b>29. TAXATION - net</b>		
Current		
- for the year	236,999	296,610
- prior year	(92,800)	(209,784)
Deferred	127,547	29,338
	<u>271,746</u>	<u>116,164</u>

- 29.1** Income tax assessments of the Company are deemed to be finalised upto and including tax year 2018 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

	2019	2018
(Rupees in thousand)		
<b>29.2 Relationship between income tax expense and accounting profit</b>		
Profit before taxation	1,362,608	1,062,770
Tax at applicable rate of 29% (2018: 30%)	395,274	318,831
Tax effect of permanent differences	445	2,164
Tax effect of final tax regime	(12,233)	(10,153)
Effect of prior year tax	(92,800)	(209,784)
Effect of change in tax rate	(3,900)	(4,228)
Effect of super tax	-	33,570
Effect of tax credits	(32,158)	(58,031)
Others	17,118	43,795
	<u>271,746</u>	<u>116,164</u>

- 29.3** The excess provisions mainly pertains to super tax and expenses allocation ratio difference, booked in the respective years for which the Company has filed petitions in the High Court of Sindh.  
**29.4** Under section 5A of Income Tax Ordinance, 2001, a tax shall be imposed at the rate specified therein on the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute dividend upto a prescribed amount (requisite dividend) within six months of the end of the tax year.

The Board of Directors in their meeting held on August 29, 2019 have recommended sufficient dividend for the year ended 30 June 2019 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2019.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 30. EARNINGS PER SHARE

### 30.1 Basic

Profit after taxation attributable to ordinary shareholders

Profit after taxation from discontinued operations attributable to  
Weighted average number of ordinary shares  
outstanding during the year\*

Earnings per share

\* weighted average number of ordinary shares outstanding during the comparative year has been adjusted for issuance of bonus shares.

- 30.2** A diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at balance sheet date which would have any effect on the earnings per share if the option to convert is exercised.

## 31. CASH GENERATED FROM OPERATIONS

Profit before taxation

### Adjustments for non-cash charges and other items

Depreciation  
Amortisation  
Profit on disposal of property, plant and equipment  
Provision for slow moving stock  
Impairment loss on trade debts  
Finance costs  
Retirement benefits expense

Profit before working capital changes

### Working capital changes

(Increase) / decrease in current assets  
Stores, spare parts and loose tools  
Stock in trade  
Trade debts  
Advances  
Trade deposits and prepayments  
Other receivables  
Sales tax refundable

Increase / (decrease) in current liabilities  
Trade and other payables  
Contract Liability

2019	2018
(Rupees in thousand)	
1,090,862	946,606
(Number of shares)	
124,328,227	124,328,227
(Rupees)	
8.77	7.61

2019	2018
(Rupees in thousand)	
1,362,608	1,062,770
408,690	318,644
47,804	41,953
(32,324)	(14,370)
(52,964)	83,343
17,283	-
157,070	108,388
9,361	4,637
554,920	542,595
1,917,528	1,605,365
(44,845)	(31,000)
(830,443)	(146,803)
(29,246)	384,441
(6,112)	107,332
(5,427)	(23,084)
3,855	65,218
(12,365)	(80,791)
(924,583)	275,313
445,376	(33,218)
138,282	-
583,658	(33,218)
1,576,603	1,847,460



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>32. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		400,298	229,728
Running finance	20.1 & 20.4	(1,101,632)	(1,298,720)
		<u>(701,334)</u>	<u>(1,068,992)</u>

## 33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

33.1 The aggregate amounts charged in these financial statements in respect of remuneration including all benefits to chief executive, directors and executives of the Company are as follows:

	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
(Rupees in thousand)						
Managerial remuneration and allowances	23,135	20,637	-	-	267,361	221,958
Technical advisory fee	-	-	-	-	-	-
Utilities	2,314	2,064	4	168	26,736	22,196
Bonus / variable pay	3,856	3,192	-	-	71,907	38,838
Housing	10,411	9,287	-	-	120,313	99,881
Retirement benefits	2,314	2,099	-	-	24,264	18,889
Other expenses	1,267	2,476	5,194	9,021	120,397	73,532
	<u>43,297</u>	<u>39,755</u>	<u>5,198</u>	<u>9,189</u>	<u>630,978</u>	<u>475,294</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>86</u>	<u>74</u>

33.2 In addition to the above, fee paid to 6 (2018: 6) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 1.45 million (2018: Rs. 2 million).

33.3 The Chief Executive, two non-executive directors and certain executives of the Company are also provided with Company maintained cars, residence and mobile telephones. The approximate value of this benefit is Rs. 35.81 million (2018: 32.55 million).

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 34. RELATED PARTY DISCLOSURES

Related parties comprise the Holding Company, subsidiaries (direct and indirect), entities with common directors, key management personnel, staff retirement funds, directors, major shareholders and key management personnel. The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rates agreed under a contract/arrangement/agreement.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and Departmental Heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

Disclosure of transactions between the Company and related parties:

Relationship with the Company	Nature of transaction	2019	2018
		(Rupees in thousand)	
Parent Company	Rental income	8,687	6,741
	Rent charges paid / payable	-	2,262
	Dividend paid	128,841	146,020
	Bonus Shares issued (No. of Shares)	6,871,545	-
Subsidiary Company	Sale of goods	1,170,480	1,194,877
Associates	Sale of goods	-	1,558,144
	Commission expense	-	45,283
	Purchases of good or services	2,291	-
	Advance given	305	-
	Dividend paid	78,665	96,635
	Bonus Shares issued (No. of Shares)	4,195,466	-
Staff retirement funds	Expense charged for the year	53,247	44,634
	Payments to retirement contribution plan	80,983	93,677
	Contribution to defined benefit plans	42,367	5,785
Key management personnel compensation:			
	Salaries and other short-term employee benefits	655,736	786,616
	Contribution to Provident Fund	25,306	37,853
	Retirement benefits	9,361	4,637

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

**34.1** Outstanding balances related parties as at year end have been included in trade debts, other receivables and trade and other payables respectively. These are settled in ordinary course of business.

**34.2** The following are the related parties with whom the Company had entered into transaction or have arrangement / agreement in place:

Name of the Related Party	Basis of association	Aggregate % of Shareholding
ATC Holdings (Private) Limited (formerly Associated Textile Consultants (Private) Limited)	Holding Company*	33%
National Foods Dubai Multi Commodities Centre	Subsidiary Company	100%
Pakistan Business Council	Associated Company due to common directorship	N/A

\*It is the ultimate parent company based on control model as provided under IFRS 10.

## 35. PLANT CAPACITY AND PRODUCTION

Actual production of plants

	2019	2018
	Metric Tons	
	94,743	100,616

**35.1** The capacity and production of the Company's plants are indeterminable as these are multi-product and involve varying processes of manufacture.

## 36. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

Total employees of the Company at the year end  
Average employees of the Company during the year

	2019	2018
	753	694
	744	680

## 37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 37.1 Financial risk factors

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's activities expose it to variety of financial risks namely credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk). The Company's overall risk management programme focuses on having cost effective funding as well as manage financial risk to minimise earnings volatility and provide maximum return to shareholders.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

### 37.2 Financial assets and liabilities by category and their respective maturities:

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
<b>Financial Assets</b>							
Trade debts	-	-	-	901,348	-	901,348	901,348
Trade deposits	-	-	-	9,000	39,611	48,611	48,611
Other receivables	-	-	-	1,909	-	1,909	1,909
Cash and bank balances	-	-	-	400,298	-	400,298	400,298
<b>30 June 2019</b>	-	-	-	<b>1,312,555</b>	<b>39,611</b>	<b>1,352,166</b>	<b>1,352,166</b>
30 June 2018	-	-	-	1,133,877	40,473	1,174,350	1,174,350
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	2,471,512	-	2,471,512	2,471,512
Accrued interest/mark up	-	-	-	28,624	-	28,624	28,624
Long term finance	69,144	487,116	556,260	-	-	-	556,260
Short term borrowings	1,901,632	-	1,901,632	-	-	-	1,901,632
<b>30 June 2019</b>	<b>1,970,776</b>	<b>487,116</b>	<b>2,457,892</b>	<b>2,500,136</b>	<b>-</b>	<b>2,500,136</b>	<b>4,958,028</b>
30 June 2018	2,341,872	-	2,341,872	1,959,906	-	1,959,906	4,301,778
<b>On balance sheet gap</b>							
<b>30 June 2019</b>	<b>(1,970,776)</b>	<b>(487,116)</b>	<b>(2,457,892)</b>	<b>(1,187,581)</b>	<b>39,611</b>	<b>(1,147,970)</b>	<b>(3,605,862)</b>
30 June 2018	(2,341,872)	-	(2,341,872)	(826,029)	40,473	(785,556)	(3,127,428)
<b>Off balance sheet items</b>							
Letters of credit							
<b>30 June 2019</b>							<b>450,000</b>
30 June 2018							250,000
Letters of guarantees							
<b>30 June 2019</b>							<b>36,740</b>
30 June 2018							36,740

All the financial instruments of the Company are designated as loans and receivables and hence measured at amortised cost. The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.



# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 37.2.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.4 billion (2018: Rs. 1.25 billion) the financial assets exposed to the credit risk amounted to Rs. 1.4 billion (2018: Rs. 1.21 billion).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management.

The Company's maximum exposure to credit risk as at the reporting date is as follows:

	2019	2018
	(Rupees in thousand)	
<b>Financial assets:</b>		
Long-term deposits	39,611	40,473
Trade debts	901,348	889,385
Advances to employees	942	-
Trade deposits	9,000	9,000
Other receivables	1,909	5,764
Cash and bank balances	400,298	229,728
	<b>1,353,108</b>	<b>1,174,350</b>

Trade debts are shown net of allowance for impairment for expected credit loss. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at June 30, 2019:

	"Gross carrying amount"	"Expected credit loss"	"Net carrying amount"
	(Rupees in thousand)		
<b>June 30, 2019</b>			
Current (not past due)	561,116	122	560,994
1-30 days past due	242,779	33,897	208,882
31-60 days past due	100,146	110	100,036
61-90 days past due	7,435	178	7,257
90-120 days past due	2,734	133	2,601
120-180 days past due	19,728	1,447	18,281
180-360 days past due	3,892	595	3,297
More than 360 days past due	33,082	33,082	-
	<b>970,912</b>	<b>69,564</b>	<b>901,348</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The cash and bank balances represent low credit risk as major balances are placed with banks having credit ratings of A1+ or above as assigned by PACRA or JCR-VIS.

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk. The management does not expect any losses from non-performance by these counterparties.

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any concentration of credit risk at reporting date.

## 37.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the Company's liquidity reserve which comprises of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows. The maturity of the Company's financial assets and liabilities are provided in these financial statements.

## 37.2.3 Market risks

Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at 30 June 2019 net financial assets of Rs. 846.81 million (2018: Rs. 645.92 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at 30 June 2019 if the Pak Rupee had weakened / strengthened by 4% (2018: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 33.87 million (2018: Rs. 26.97 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated trade debts.

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Company only as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentages for movement in foreign exchange rates have been used due to the fact that historically (five years) rates have moved on average basis by the mentioned percentage per annum.

## Interest rate risk

The Company's only interest rate risk arises from borrowings as the Company has no interest-bearing assets. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

At 30 June 2019 the Company had variable interest bearing financial liabilities of Rs. 2,388.75 million (2018: Rs. 2,340.24 million), had the interest rates varied by 100 basis points (2018: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 37.8 million (2018: Rs. 23.4 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2018: 100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis points (2018: 100 basis points) per annum.

### 37.2.3.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2019				
	Short term borrowings used for cash management purpose	Other short term borrowings including related accrued markup	Long term borrowings classified as current [including related accrued markup] (refer note 16.2)	Retained earnings	Total
	(Rupees in thousand)				
Balance as at 1 July 2018	1,307,267	855,023	194,348	3,140,259	5,496,897
Changes from financing cash flows					
Repayment of loan	-	-	(6,036)	-	(6,036)
Proceeds from long term loan	-	-	300,000	-	300,000
Payments and repayments	-	(150,000)	-	-	(150,000)
Dividend paid	-	-	-	(386,925)	(386,925)
Total changes from financing activities	-	(150,000)	293,964	(386,925)	(242,961)
Other changes - interest cost					
Interest expense	69,002	28,790	31,558	-	129,350
Interest paid	(57,14)	(31,117)	(27,226)	-	(115,492)
Changes in running finance	(197,088)	100,000	-	-	(97,088)
Total loan related other changes	(185,235)	97,673	4,332	-	(83,230)
Total equity related other changes	-	-	-	942,354	942,354
Balance as at 30 June 2019	1,122,032	802,696	492,644	3,695,688	6,113,060

## 37.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. During 2018, the Company's strategy was to maintain leveraged gearing. The gearing ratio as at 30 June 2019 was as follows:

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousand)	
Total borrowings	2,163,486	2,163,486
Cash and bank balances	(400,298)	(229,728)
Net debt	1,763,188	1,933,758
Total Equity	4,317,329	3,658,293
Total capital	6,080,517	5,592,051
Gearing ratio	29%	35%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

## 37.4 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management considers fair value of financial assets approximate its fair value owing to their short term maturities and credit quality of counter parties.

## 38. OPERATING SEGMENT

38.1 These financial statements have been prepared on the basis of a single reportable segment.

38.2 All non current assets of the Company as detailed in note 6 to these financial statements as of reporting date are located in Pakistan.

38.3 The Company's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 95.1% (2018: 94.8%) and to customer outside Pakistan are 4.9% (2018: 5.2%) of the revenue.

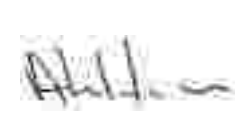
38.4 Management consider that revenue from its ordinary activities are shariah compliant.

## 39. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on August 29, 2019 has proposed a final cash dividend of Rs. 4 per share amounting to Rs. 497.3 million and bonus issue of 1 share for every 5 shares held amounting to book value of Rs.124.3 million for the year ended 30 June 2019. The approval of the shareholders of the Company for the dividend and bonus issue shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2019. The financial statements for the year ended 30 June 2019, do not include the effect of the proposed final cash dividend and bonus issue which will be accounted for in the year ending 30 June 2020.

## 40. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company on August 29, 2019.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



# Consolidated Financial Statements 2019



## Independent Auditors' Report to the Members of National Foods Limited

### Opinion

We have audited the annexed consolidated financial statements of National Foods Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditors' Report to the Members of National Foods Limited

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p><b>Revenue recognition</b></p> <p>Refer notes 4.1.1, 4.15, 24 and 36 to the Group's consolidated financial statements.</p> <p>Revenue is recognized from sale of goods in accordance with applicable accounting standards and measured at net of discounts, rebates, allowances and sales return.</p> <p>We identified revenue recognition as key audit matter because of risk of incorrect measurement of revenue due to adjustments for discounts and rebates offered to customers and allowance of sales return. Further, revenue is one of the key performance indicators and there is a potential risk that revenue transactions may not be recognized in the appropriate period and risk of misapplication of the new accounting standard IFRS 15 "Revenue from Contracts with Customers".</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the Group's sale of goods process and related controls, including assessing the design and testing of the implementation and operating effectiveness of the relevant key controls over revenue recognition, the calculation of discounts and rebates and allowance for sales return including timing of revenue recognition;</li> <li>considering the appropriateness of the Group's accounting policies for revenue recognition including those relating to discounts, rebates and allowance for sales return and assessing compliance of those policies with applicable accounting standards;</li> <li>obtaining and inspecting a sample of contracts with customers to understand the conditions required for discounts, rebates and allowance for sales return;</li> <li>testing, on a sample basis, the accuracy of the amounts of discounts, rebates and allowance for sales return recognized by agreeing to individual customer agreements and perform recalculations;</li> <li>testing, on a sample basis, invoices and inspecting credit notes issued subsequent to year end for completeness and accuracy of revenue and accruals for discounts, rebates and allowances to the customers;</li> <li>comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period;</li> <li>reviewing management's IFRS 15 assessment to verify the reasonableness, accuracy and completeness of the impact on the consolidated financial statements of the Group including adequacy of disclosures; and</li> <li>obtaining an understanding of the nature of the revenue contracts entered into by the Group, tested a sample of sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the standard.</li> </ul>

# Independent Auditors' Report to the Members of National Foods Limited

S. No.	Key audit matters	How the matters were addressed in our audit
2.	<p><b>Valuation of Trade Debtors</b></p> <p>Refer notes 4.1.2, 4.5, 4.10.1, 8 and 39.2.1 to the Group's consolidated financial statements.</p> <p>The Group has a significant balance of trade debts. Provision against doubtful debts is based on loss allowance for Expected Credit Loss (ECL).</p> <p>The ECL model has been adopted during the year due to the application of IFRS 9 'Financial Instruments'. Details about the application of the IFRS and its effect is given in note 4.1.2 to the consolidated financial statements.</p> <p>We identified valuation of trade debts as a key audit matter as it involves significant judgments and estimates in application of the expected credit loss model.</p>	<p>Our audit procedures to assess the valuation of debtors, among others involved the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of and assessing the design and testing implementation of management's key internal controls relating to credit control process (including credit account application approvals and credit limit review);</li> <li>obtaining an understanding of management's basis for the determination of provision required at the year end and the receivables collection process;</li> <li>assessing the method used by the Group for recognition of the impact of application of IFRS 9 with respect to provision for doubtful debts as allowable under IFRS 9 and assessing the reasonableness of assumptions of ECL;</li> <li>testing the accuracy of the data on a sample basis extracted from the Group's accounting system which has been used to calculate the provision required including subsequent recoveries;</li> <li>involving our specialist to review the methodology used in the ECL model and compared this against accepted best practice; and</li> <li>reviewing the adequacy of the Group's disclosure included in note 8 and note 39.2.1 to the accompanied consolidated financial statements.</li> </ul>
3.	<p><b>Valuation of Stock-in-trade</b></p> <p>Refer notes 4.9 and 7 to the consolidated financial statements.</p> <p>Stock-in-trade forms a significant part of the Group's total assets. Stock-in-trade comprise of raw material, work in process and finished good which are stated at lower of cost and estimated net realizable value.</p> <p>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost and provisions for expired and obsolete inventories involves significant management judgment and estimation.</p>	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of and assessing the design and testing implementation of management's controls designed to identify expired, obsolete as well as slow moving stocks close to expiry;</li> <li>obtaining an understanding of and testing, on a sample basis, management's determination of NRV and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales, their basis of calculation, justification for the amount of the write-downs and provisions; and</li> <li>checking on a sample basis specific provision for expired, obsolete as well as slow moving stocks close to expiry.</li> </ul>
4.	<p><b>Capitalization of Property, Plant and Equipment</b></p> <p>Refer notes 1.2, 4.3 and 5 to the consolidated financial statements.</p>	<p>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:</p>



# Independent Auditors' Report to the Members of National Foods Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>The Group has made significant capital expenditure on building on leasehold land and plant and machinery.</p> <p>We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.</p>	<ul style="list-style-type: none"> <li>obtaining an understanding of the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;</li> <li>testing, on sample basis, the costs incurred on projects with supporting documentation and contracts;</li> <li>assessing the nature of costs incurred for capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and</li> <li>inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.</li> </ul>
5.	<p><b>Impairment assessment of goodwill and other indefinite life intangible assets</b></p> <p>Refer notes 4.4 and 6.1 to the consolidated financial statements.</p> <p>The Group has recognized goodwill and other indefinite life intangible assets from past acquisition. The Group is required to, at least annually, perform impairment assessments of goodwill and intangible assets that have an indefinite useful life.</p> <p>We identified annual impairment testing of goodwill and intangible assets that have an indefinite useful life as a key audit matter because of the inherent uncertainty and significant judgment involved in determining the assumptions to be used in forecasting and discounting future cash flows.</p>	<p>Our audit procedures to assess the impairment of goodwill and other indefinite life intangible assets, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtaining management's future cash flow forecasts and testing the mathematical accuracy of the underlying value-in-use calculations, comparison of historical budgets against actual result to assess the quality of management's forecast and agreeing them to approved budgets and business plans;</li> <li>using our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the group, in particular relating to the forecast revenue growth, profit margins, discount rate as well as assessing the integrity of the models used, including the accuracy of the underlying calculation of formulas and also assessing the sensitivity of key assumptions and inputs; and</li> <li>assessing the appropriateness of the disclosures in the consolidated financial statements in accordance with the applicable accounting standards.</li> </ul>

## Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditors' Report to the Members of National Foods Limited

## Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Date: 29 August 2019  
Karachi

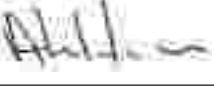
KPMG Taseer Hadi & Co.  
Chartered Accountants

# Consolidated Statement of Financial Position

AS AT JUNE 30, 2019

Note	2019	2018
(Rupees in thousand)		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,037,451	4,531,638
Intangibles and goodwill	810,134	659,555
Long term deposits	40,846	41,409
	<u>5,888,431</u>	<u>5,232,602</u>
<b>Current assets</b>		
Stores, spare parts and loose tools	86,725	41,880
Stock-in-trade	4,934,693	3,682,064
Trade debts	1,091,974	1,164,931
Advances	117,463	176,735
Trade deposits and prepayments	133,962	112,347
Other receivables	20,166	23,315
Sales tax refundable	133,789	121,424
Cash and bank balances	876,244	376,794
	<u>7,395,016</u>	<u>5,699,490</u>
<b>TOTAL ASSETS</b>	<u><b>13,283,447</b></u>	<u><b>10,932,092</b></u>
<b>EQUITY AND LIABILITIES</b>		
Shareholders' equity		
Share capital and reserves		
Authorised share capital		
1,000,000,000 ordinary shares of Rs. 5 each	5,000,000	1,000,000
Share Capital		
Issued, subscribed and paid-up capital	621,641	518,034
Revenue Reserves		
Unappropriated profit	3,993,506	3,233,729
Foreign exchange translation reserve	143,217	56,176
<b>Equity attributable to owners of the Company</b>	<u><b>4,758,364</b></u>	<u><b>3,807,939</b></u>
Non-controlling interest	271,598	196,293
<b>Total equity</b>	<u><b>5,029,962</b></u>	<u><b>4,004,232</b></u>
<b>Non - current liabilities</b>		
Long term finance - secured	928,142	199,259
Long term deposits	4,190	3,235
Deferred liabilities	75,760	45,065
Deferred rent	35,266	25,003
Liabilities against assets subject to finance lease	38,619	34,470
Deferred taxation - net	215,508	111,913
	<u>1,297,485</u>	<u>418,945</u>
<b>Current liabilities</b>		
Trade and other payables	4,092,714	3,232,678
Unclaimed Dividend	19,921	18,323
Contract Liability	146,650	-
Mark-up accrued	32,832	17,605
Short-term borrowings - secured	1,901,632	2,204,869
Long-term finance classified as current - secured	-	193,152
Current maturity of long term finance - secured	315,881	333,750
Current maturity of deferred consideration	-	188,128
Current maturity of liabilities against assets subject to finance lease	9,598	6,604
Taxation - net	436,772	313,806
	<u>6,956,000</u>	<u>6,508,915</u>
	<u>8,253,485</u>	<u>6,927,860</u>
<b>Commitments</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>13,283,447</b></u>	<u><b>10,932,092</b></u>

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

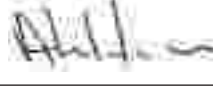
  
Director

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2019

Note	2019	2018
(Rupees in thousand)		
Sales	24,253,797	21,591,559
Cost of sales	(17,269,476)	(14,887,820)
<b>Gross profit</b>	<u><b>6,984,321</b></u>	<u><b>6,703,739</b></u>
Distribution costs	(3,920,912)	(4,138,503)
Impairment loss on trade debts	(33,402)	(106,149)
Administrative expenses	(1,140,774)	(913,220)
Other expenses	(131,112)	(230,198)
Other income	248,281	53,467
Operating profit	2,006,402	1,369,136
Finance costs	(283,506)	(195,728)
<b>Profit before taxation</b>	<u><b>1,722,896</b></u>	<u><b>1,173,408</b></u>
Taxation - net	(352,381)	(146,374)
<b>Profit after tax</b>	<u><b>1,370,515</b></u>	<u><b>1,027,034</b></u>
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit and loss account:		
Remeasurements of retirement benefit liability	(60,986)	(31,786)
Related deferred tax thereon	17,686	9,818
	<u>(43,300)</u>	<u>(21,968)</u>
Items that are or may be reclassified subsequently to profit and loss account:		
Foreign operations - foreign currency translation differences	87,041	48,090
	<u>43,741</u>	<u>26,122</u>
<b>Total comprehensive income for the year</b>	<u><b>1,414,256</b></u>	<u><b>1,053,156</b></u>
<b>Profit attributable to:</b>		
Owners of the Parent Company	1,295,210	1,009,134
Non-controlling interest	75,305	17,900
	<u>1,370,515</u>	<u>1,027,034</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Parent Company	1,341,865	1,036,059
Non-controlling interest	72,391	17,097
	<u>1,414,256</u>	<u>1,053,156</u>
(Rupees)		
<b>Earnings per share (basic and diluted)</b>	<u><b>10.42</b></u>	<u><b>8.12</b></u>

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director




# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2019

	Attributable to shareholders of the Parent Company					Total Equity
	Share capital	Revenue Reserve		Sub-total	Non controlling interest	
		Unappropriated profit	Foreign currency translation			
(Rupees in thousand)						
<b>Balance as at 1 July 2017</b>	518,034	2,686,892	7,283	3,212,209	179,196	3,391,405
<b>Total comprehensive income for the year ended 30 June 2018</b>						
Profit for the year	-	1,009,134	-	1,009,134	17,900	1,027,034
Other comprehensive income	-	(21,968)	48,893	26,925	(803)	26,122
	-	987,166	48,893	1,036,059	17,097	1,053,156
<b>Transaction with owners of the Company - distribution</b>						
Final dividend for the year ended 30 June 2017 @ Rs. 4.25 per share	-	(440,329)	-	(440,329)	-	(440,329)
<b>Balance as at 30 June 2018</b>	518,034	3,233,729	56,176	3,807,939	196,293	4,004,232
<b>Balance as at 1 July 2018</b>	518,034	3,233,729	56,176	3,807,939	196,293	4,004,232
<b>Total comprehensive income for the year ended 30 June 2019</b>						
Profit for the year	-	1,295,210	-	1,295,210	75,305	1,370,515
Other comprehensive income	-	(43,300)	87,041	43,741	(0)	43,741
	-	1,251,910	87,041	1,338,951	75,305	1,414,256
<b>Transaction with owners in their capacity as owners directly recorded in equity</b>						
Final dividend for the year ended 30 June 2017 @ Rs. 4.25 per share		(388,526)	-	(388,526)	-	(388,526)
1 Ordinary shares for each 5 shares held allotted as bonus shares	103,607	(103,607)	-	-	-	-
<b>Balance as at 30 June 2019</b>	621,641	3,993,506	143,217	4,758,364	271,598	5,029,962

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Chief Financial Officer


  
Director

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	2,347,069	1,876,639
Finance cost paid		(269,647)	(181,164)
Income tax paid		(115,528)	(389,804)
Deferred rent		2,455	17,596
Retirement benefits obligations paid		(42,366)	(6,023)
Long term deposits		862	(6,716)
<b>Net cash generated from operating activities</b>		<b>1,922,845</b>	<b>1,310,528</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(952,272)	(1,657,468)
Sale proceeds from disposal of property, plant and equipment		95,021	23,176
Purchase of intangible assets		(42,370)	(42,031)
Deferred consideration paid		(207,017)	-
<b>Net cash used in investing activities</b>		<b>(1,106,638)</b>	<b>(1,676,323)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short term borrowings		-	288,000
Proceeds from long term finance		504,387	(55,416)
Repayment of long term finance		(177,354)	325,290
Repayment of short term borrowings		(50,000)	-
Deferred consideration paid		-	(126,531)
Dividend paid		(386,925)	(432,477)
<b>Net cash from / (used in) financing activities</b>		<b>(109,892)</b>	<b>(1,134)</b>
Net increase / (decrease) in cash and cash equivalents		706,315	(366,929)
Cash and cash equivalents at beginning of the year		(978,075)	(623,506)
Currency translation difference on cash and cash equivalents		46,372	12,360
Cash and cash equivalents at end of the year	34	<b>(225,388)</b>	<b>(978,075)</b>

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 1. THE GROUP AND ITS OPERATIONS

### 1.1 The group consists of:

- i) Parent Company - National Foods Limited
- ii) Subsidiary Company - National Foods DMCC, Dubai

#### National Foods Limited

National Foods Limited ("Parent Company") was incorporated in Pakistan on February 19, 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) by special resolution passed in the extra ordinary general meeting held on 30 March 1988. The Parent Company is principally engaged in the manufacture and sale of convenience based food products. It is listed on Pakistan Stock Exchange. The registered office of the Parent Company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

The ultimate parent entity of the National Foods Limited is ATC Holdings (Private) Limited (formerly Associated Textile Consultants (Private) Limited) based on control model as provided under International Financial Reporting Standards 10 - 'Consolidated Financial Statements'.

#### National Foods DMCC

National Foods DMCC ("NF DMCC") was registered on 7 November 2012 in Dubai Multi Commodities Centre ("DMCC") pursuant to Dubai (DMCC) Law No. 4 of 2001 and operates in the United Arab Emirates ("UAE") under a trade license issued by DMCC. The NF DMCC is a wholly owned subsidiary of National Foods Limited.

Primary objective of NF DMCC is to boost export sales of Parent Company through trading in food stuff and other services. NF DMCC also has following two wholly owned direct subsidiaries and one indirect subsidiary as follows:

#### National Foods Pakistan (UK) Limited

National Foods Pakistan (UK) Limited was incorporated in United Kingdom on 29 May 2013 as a private company under the UK Companies Act, 2006. The company is a wholly owned subsidiary of National Foods DMCC. The company is principally engaged in the trading of food products.

#### National Epicure Inc.

National Epicure Inc. ("NEI") was incorporated in Canada on 16 October 2013 under the Canada Business Corporations Act. NEI is a wholly owned subsidiary of National Foods DMCC. NEI is principally engaged in the trading of food products.

#### A-1 Bags & Supplies Inc.

A 1 Bags & Supplies Inc. (the "Company") was incorporated under the Business Corporations Act of Ontario on March 14, 2001. National Epicure Inc. acquired 60% holding in A-1 Bags and Supplies in the year 2017 and is principally engaged in distribution and wholesale of food products, disposables, janitorial and sanitation products.

### 1.2 The manufacturing facilities and sales offices of the Group companies are situated at the following locations:

#### Factories:

- Unit F-160/ C, F- 133, S.I.T.E., Karachi.
- Office A-13, North Western Industrial Zone, Bin Qasim, Karachi.
- 53-KM G.T. Road, Chainwala Mord Amanabad, Gujranwala.
- 5-A/1, New Muslim Town, Muridke.
- A 393 Nooriabad industrial estate, Nooriabad, Karachi.

#### Sales offices:

- Office No.107, 1st Floor Parsa Tower Sharah-e-Faisal, Karachi.
- Banglow No. 225, Shahrah-e-Abbasi Akhuwat Nagar Society, Sukkur.
- 2nd Floor Mall 2 Plaza Main Boulevard Kohinoor City Jaranwala Road, Faisalabad.
- 18-CCA (Commercial Area) Phase V111 DHA Lahore, Cantt.
- Plot # 25 Din Plaza Canal Road Main Gate Canal View Housing Society, Gujranwala.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

- 1st Floor Bilal Complex Main PWD Road sector O-9, Islamabad.
- Unit No. R30-26, Floor No. 30, R Serviced Offices JLT, Reef Tower, Plot No. 01 Jumeirah Lakes Towers Dubai, United Arab Emirates.
- 193 Maxome Avenue, Toronto, Ontario, Canada.
- 27 Second Floor, Gloucester Place, London, United Kingdom.
- 6400 Kennedy Road, Mississauga, Ontario
- 1110 Dearness Dr, Toronto, Ontario

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 .

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except as stated otherwise.

### 2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless stated otherwise.

### 2.4 Use of significant estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the consolidated financial statements and estimates with significant risk of material adjustment in the next year are described in the following:

#### Property, plant and equipment / intangible assets

The Group reviews the rate of depreciation / amortization, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment / intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## Stock in trade / stores, spares and loose tools

The Group's continuously reviews its inventory for existence of any items which may have become obsolete. These estimates are based on historical experience and are continuously reviewed and the cost of such stocks is fully provided for.

## Trade debts and other receivables

These financial assets are adjusted for loss allowances that are measured at amount equal to lifetime expected credit loss that result from all possible default events over expected life of the financial asset.

## Provision for refund liability

Refund liability provisions are recognized as deduction from revenue based on terms of the arrangements with the customer and are included in trade and other payables. No asset is recognized for refunds as they are not anticipated to be resold. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## Retirement benefits obligations

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under this scheme in those years.

## Taxation

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on certain matters in the past.

## Goodwill and indefinite life intangible assets

Goodwill and indefinite life intangible assets are tested for impairment on an annual basis and also when there is an indication of impairment. Impairment loss on goodwill is not reversed. On disposal of subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill arising from is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### 3. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

#### 3.1 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

- There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2018. However, these do not have any significant impact on the Group's financial reporting and therefore have not been detailed in these consolidated financial statements.

#### 3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Groups' financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives and SIC-27 'Evaluating the Substance of Transactions Involving the

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is assessing the potential impact of the standard on Group's lease arrangements

- Amendment to IFRS 9 'Financial Instruments' - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion - i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Groups' financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and Grouping example tate that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Groups' financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a Group now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Groups' financial statements.
- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a Group increases its interest in a joint operation that meets the definition of a business. A Group remeasures its previously held interest in a joint operation when it obtains control of the business. A Group does not remeasure its previously held interest in a joint operation when it

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Groups' financial statements.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above improvements to standards are not likely to have material / significant impact on Group's financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these consolidated financial statements.

### 4.1 Changes in accounting policies

#### 4.1.1 IFRS 15 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

IFRS 15 replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The Group has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for comparative period in these financial statements have not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The timing of revenue recognition of the Group under IFRS 15 is generally consistent with the previous standard, IAS 18 and related interpretations. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition of the Group. However, the amount of revenue to be recognized was affected as it changed the way Group accounts for consideration payable to customers, cost of fulfilling the service (performance obligation) to customer and certain payments to customers or consumers, all of which were previously shown as distribution expenses, to be shown as deductions from revenue or included in cost of sales.

Prior to adoption of IFRS 15, a provision for sales discounts and advance consideration received from customers was included in 'Trade and other payables' which now is reclassified in 'Contract liabilities' presented separately on statement of financial position. In addition, reclassification has been made from 'Trade and other payables' to 'Contract liabilities' for outstanding balance of advance from customers and sales discounts payable for prior year to provide comparison. Advances from customers amounting to Rs. 61.79 million represents advance consideration received from customers at the beginning of the period have been recognised as revenue for year ended 30 June 2019.

The impact of adoption of IFRS 15 on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019 is as follows:

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	As reported	Adjustments	Amounts without adoption of IFRS 15
	----- (Rupees in thousand) -----		
Revenue	24,253,797	937,539	25,191,336
Cost of Sales	(17,269,476)	58,463	(17,211,013)
Distribution Costs	(3,920,912)	(996,002)	(4,916,914)

Had the Group applied IFRS 15 retrospectively, the impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018 would have been as follows:

	As reported	Adjustments	Amounts with adoption of IFRS 15
	----- (Rupees in thousand) -----		
Revenue	21,591,559	(592,295)	20,999,264
Cost of Sales	(14,887,820)	(65,424)	(14,953,244)
Distribution Costs	(4,138,503)	657,719	(3,480,784)

Further contract liability as at 30 June 2018 amounting to Rs. 70 million would have been separately reported on statement of financial position which is included in trade and other payables. Apart from these changes, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Group for the reasons described above. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

IFRS 15 did not have a significant impact on the accounting policies of the Group.

#### 4.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The IFRS 9 has been adopted without restating comparative information as allowed under the standard.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

##### (i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At present the Group has financial assets measured at amortized cost. Trade debts, deposits, advances, other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. The classification and measurement under IFRS 9 does not have any impact on Group's accounting policy.

Trade receivable is initially measured at transaction price and are subsequently measured at amortised cost using the effective interest method, net of impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The following explains the original and new classification and measurement categories under IAS 39 and under IFRS 9 respectively of the Group's significant financial assets:



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	"Original classification under IAS 39"	"New classification under IFRS 9"	"Original carrying amount under IAS 39"	"New carrying amount under IFRS 9"
----- (Rupees in thousand) -----				
Financial Assets				
Long-term deposits	"Loans and Receivables"	Amortised Cost	40,846	40,846
Trade debts	"Loans and Receivables"	Amortised Cost	1,091,974	1,091,974
Advances to employees	"Loans and Receivables"	Amortised Cost	1,011	1,011
Trade deposits	"Loans and Receivables"	Amortised Cost	38,835	38,835
Other receivables	"Loans and Receivables"	Amortised Cost	20,166	20,166
Cash and bank balances	"Loans and Receivables"	Amortised Cost	876,244	876,244

## (ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and other receivables.

For trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Majority of debtors are regular customers of the Group and management uses actual historical credit loss experience, based on payment profile of credit sales over past year, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance. There is no significant impact from the new expected credit loss (ECL) impairment model under IFRS 9 on allowances and provisions for trade receivables and retained earnings of the Group as at 1 July 2018. Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss and other comprehensive income. As a result, the Group reclassified impairment losses amounting to Rs 107.7 million recognised under IAS 39 for comparative period, from 'distribution costs' to 'impairment loss on trade and other receivables' in the statement of profit or loss and other comprehensive income. During the year the Group recognised an impairment loss of trade debts under IFRS 9 expected credit loss model amounting to Rs. 33.40 million.

## 4.2. Basis of consolidation

The consolidated financial statements consists of financial statements of the Parent Company and its subsidiary companies as disclosed in note 1.1 to these consolidated financial statements (here in after referred as Group).

The financial statements of the Parent Company and its subsidiary companies are prepared up to the same reporting date and are combined on a line-by-line basis.

### Business Combination

The Group accounts for business combination using the acquisition method when control is transferred to the Group. The consideration transferred (including contingent consideration) in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that acquire is not amortized but tested annually

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities. When the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are used. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognized, to reflect new information obtained about the facts and circumstances that existed at the acquisition date which would have affected the measurement of the amounts recognized at that date, had they been known the measurement period does not exceed twelve months from the date of acquisition.

## Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity generally accompanying a shareholding of more than fifty percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and up to the date when the control ceases.

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests are presented as a separate item in the consolidated financial statements.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Changes in the Group interest in a subsidiary that do not result in a loss of control are accounted for as equity as transactions.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in consolidated profit and loss account. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

## 4.3 Property, plant and equipment

### Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the items is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

### Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment includes:

- its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates;
- any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management; and;
- Borrowing costs, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure (including normal repairs and maintenance)

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

Expenditures incurred to replace a significant component of an item of property, plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditures (including normal repairs and maintenance) is recognised in the profit or loss account as an expense when it is incurred.

## Depreciation

Depreciation is charged on straight line method at the rates specified in respective notes in these consolidated financial statements.

Depreciation on additions to property, plant and equipment is charged from the month the asset is available for use upto the month of disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

## Gains and losses on disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in the profit or loss account.

## Capital work in progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

## 4.4 Intangible assets and Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Other intangible assets, including customer relationships that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Trademark and other intangible assets have indefinite useful life and is not amortised, therefore, measured at cost less any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 4.5 Financial Instruments

### 4.5.1 Classification, recognition and measurement - Financial Assets

#### Classification

The Group classifies its financial assets in the following measurement categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at FVOCI. However the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive.

On initial recognition, the Group may, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### Initial measurement - Financial Assets

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. However, at initial recognition, the Group measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component.

#### Subsequent measurement

##### Debt Investments at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

##### Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.

##### Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in profit or loss.

##### Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 4.5.2 Non-derivative Financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Group becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Group derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

### 4.5.2.1 Trade debts, deposits, advances and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Further, these assets are adjusted for loss allowances that are measured at amount equal to lifetime expected credit loss that result from all possible default events over expected life of the financial asset.

### 4.5.2.2 Cash and cash equivalents

For the purpose of presentation in statement of cash flow, cash and cash equivalents includes cash in hand, balances with banks and short term borrowings availed by the Group, which are repayable on demand and form an integral part of the Group's cash management.

## 4.5.3 Financial Liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Group becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Group derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

### 4.5.3.1 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset.

### 4.5.3.2 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

## 4.5.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Group has currently legally enforceable right to set-off the recognised amounts and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Group or the counter parties.

## 4.6 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to, or items recognised directly in equity or in other comprehensive income, in which case the tax amounts are recognized directly in other comprehensive income or equity, as the case may be.

### i) Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year; calculated using

# Notes to the Consolidated Financial Statements

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tax rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credit and tax rebates, if any, and is inclusive of any adjustments to income tax payable or recoverable in respect of previous years.

### ii) Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account. Deferred tax liability of the Parent Group is restricted to 92.99% (2018: 90.3%) of the total deferred tax liability based on the assumptions that export sales will continue under Final Tax Regime and historical trend of export and local sales ratio will continue to be approximately the same in foreseeable future.

## 4.7 Employee retirement benefits

### Defined benefit plans

The Parent Group operates a funded pension scheme and post retirement medical benefit for chief executive, one non-executive director and one former director. The liability recognised in the consolidated balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The latest actuarial valuation of the defined benefit plans was conducted at 30 June 2019.

Past service cost and the amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

### Defined contribution plan

The Group operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate of 10% per annum of the basic salary.

### Other long-term employee benefits

"The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that" employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

## 4.8 Stores, spare parts and loose tools

These are valued at weighted average cost less provision for slow moving and obsolete stores, spare parts and loose tools, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

## 4.9 Stock in trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined by weighted average method except for those in transit where it represents invoice value and other charges incurred thereon. Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale. Cost of work in process and finished goods includes direct cost of materials, direct cost of labour and production overheads.

## 4.10 Impairment losses

### 4.10.1 Financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

## 4.10.2 Non-financial assets

The carrying amount of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indications exist, the assets' recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account. An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 4.11 Ijarah

In ijarah transactions' significant portion of the risks and rewards of ownership are retained by the lessor. Islamic Financial Accounting Standard 2 – 'Ijarah' requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the consolidated profit or loss account on a straight-line basis over the ijarah term.

## 4.12 Leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating lease are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

## 4.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

## 4.14 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupee using the exchange rates approximating those prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains / losses on translation are included in income currently.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

The results and financial position of foreign operation are translated into the presentation currency as follows:

- assets and liabilities including goodwill and fair value adjustment arising on acquisition are translated into Pak Rupees at the exchange rate at the reporting date;
- income and expenses for income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in these translation reserve, except to the extent that the translation difference is allocated to NCI.

## 4.15 Revenue recognition

Revenue is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer. It also specifies the accounting for the costs directly related to fulfilling a contract. Revenue from sale of goods is recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised on delivery of goods. Delivery occurs when the products have been shipped to / or and delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product.

The consideration which the Group receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. Revenue is measured based on the consideration specified in a contract with a customer, net of returns, amounts collected on behalf of third parties (sales taxes etc), pricing allowances, other trade discounts, volume rebates and couponing, price promotions to consumers / customers and any other consideration payable to customers. The level of discounts, allowances and promotional rebates are recognized, on estimated basis using historical experience and the specific terms of the arrangement, as a deduction from revenue at the time that the related sales are recognized or when such incentives are offered to the customer or consumer. Sales return provisions are recognized as deduction from revenue based on terms of the arrangements with the customer and are included in trade and other payables. No asset is recognized for returns as they are not anticipated to be resold. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group provides retrospective discounts to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. A contract liability is recognised for expected discount payable to customers in relation to sales made until the end of the reporting period. Further, a contract liability is also recognised for short term advances that the Group receives from its customers.

## 4.16 Interest / Mark up income / late payment by trade debtors

Income on late payment by trade debtors is recognised on accrual basis.

## 4.17 Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

## 4.18 Rental income

Rental income from properties on operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

## 4.19 Income from debt securities

Income on bank deposit and debt securities is recognised on a time proportion basis using effective interest rate method.

## 4.20 Miscellaneous income

Miscellaneous income including export rebate is recognised on receipt basis.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 4.21 Research and development

Research and development expenditure is charged to profit or loss in the period in which it is incurred.

## 4.22 Dividends

Dividend distribution to the Group's shareholders and appropriations to / from reserves are recognised in the period in which these are approved.

## 5. PROPERTY, PLANT AND EQUIPMENT

		2019	2018
		(Rupees in thousand)	
Operating fixed assets	5.1	4,538,908	3,736,772
Capital work-in-progress	5.4	498,543	794,866
		<u>5,037,451</u>	<u>4,531,638</u>

### 5.1 Operating fixed assets

	2019									
	Leasehold Land	Leasehold improvements	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	(Rupees in thousand)									
<b>At 1 July 2018</b>										
Cost	232,549	66,564	1,957,832	2,050,344	378,016	303,453	219,026	40,968	166,219	5,414,971
Accumulated depreciation	(32,664)	(13,583)	(285,244)	(884,124)	(137,876)	(115,309)	(166,253)	(19,187)	(78,238)	(1,732,478)
Net exchange difference	-	9,047	-	-	24,223	10,419	2,453	-	8,137	54,279
<b>Net book value</b>	<b>199,885</b>	<b>62,028</b>	<b>1,672,588</b>	<b>1,166,220</b>	<b>264,363</b>	<b>198,563</b>	<b>55,226</b>	<b>21,781</b>	<b>96,118</b>	<b>3,736,772</b>
<b>Additions / transfer - note - 5.4.1</b>	-	6,622	432,233	619,090	39,289	18,753	62,901	5,435	31,960	1,216,283
<b>Disposals</b>										
Cost	-	-	(8,454)	(74,734)	(21,698)	(26,593)	(45,961)	(5,985)	(54,455)	(237,880)
Accumulated depreciation	-	-	6,189	72,623	21,511	23,677	45,420	5,682	32,394	207,496
	-	-	(2,265)	(2,111)	(187)	(2,916)	(541)	(303)	(22,061)	(30,384)
Effect of movement in exchange rate	-	17,324	-	-	52,569	13,883	9,756	-	13,940	107,472
Depreciation charge for the year	(4,195)	(12,458)	(59,611)	(246,372)	(64,805)	(44,539)	(28,523)	(3,569)	(27,163)	(491,235)
Closing net book value	199,690	73,516	2,042,945	1,536,827	291,229	183,744	98,819	23,344	92,794	4,538,908
<b>At 30 June 2019</b>										
Cost	232,549	73,186	2,381,611	2,594,700	395,607	295,613	235,966	40,418	143,724	6,393,374
Accumulated depreciation	(36,859)	(26,041)	(338,666)	(1,057,873)	(181,170)	(136,171)	(149,356)	(17,074)	(73,007)	(2,016,217)
Net exchange difference	-	26,371	-	-	76,792	24,302	12,209	-	22,077	161,751
<b>Net book value</b>	<b>195,690</b>	<b>73,516</b>	<b>2,042,945</b>	<b>1,536,827</b>	<b>291,229</b>	<b>183,744</b>	<b>98,819</b>	<b>23,344</b>	<b>92,794</b>	<b>4,538,908</b>
<b>Useful life (years)</b>	<b>38 - 99</b>	<b>Lease term</b>	<b>5 - 60</b>	<b>5 - 10</b>	<b>5</b>	<b>5 - 10</b>	<b>3</b>	<b>5 - 10</b>	<b>5</b>	

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### At 1 July 2017

	2018									
	Leasehold Land	Leasehold improvements	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	(Rupees in thousand)									
<b>At 1 July 2017</b>										
Cost	232,549	33,933	909,103	1,780,054	172,352	186,736	176,503	34,617	105,640	3,631,487
Accumulated depreciation	(28,469)	(6,521)	(237,505)	(698,256)	(103,329)	(81,894)	(140,707)	(16,105)	(71,795)	(1,384,581)
Net exchange difference	-	322	-	-	693	473	33	-	196	1,717
<b>Net book value</b>	<b>204,080</b>	<b>27,734</b>	<b>671,598</b>	<b>1,081,798</b>	<b>69,716</b>	<b>105,315</b>	<b>35,829</b>	<b>18,512</b>	<b>34,041</b>	<b>2,248,623</b>
<b>Additions / transfer - note - 5.4.1</b>	-	32,631	1,048,729	283,452	208,633	117,525	43,399	6,720	80,374	1,821,463
<b>Disposals</b>										
Cost	-	-	-	(8,700)	(2,806)	(121)	(385)	-	(12,406)	(24,418)
Accumulated depreciation	-	-	-	4,800	2,806	97	313	-	7,596	15,612
	-	-	-	(3,900)	-	(24)	(72)	-	(4,810)	(8,806)
Effect of movement in exchange rate	-	8,725	-	-	23,530	9,946	2,420	-	7,941	52,562
Depreciation charge for the year	(4,195)	(7,062)	(47,739)	(190,668)	(37,353)	(33,512)	(25,859)	(3,082)	(14,039)	(363,509)
Assets written off	-	-	-	(4,462)	(163)	(687)	(491)	(369)	(7,389)	(13,561)
Closing net book value	199,885	62,028	1,672,588	1,166,220	264,363	198,563	55,226	21,781	96,118	3,736,772
<b>At 30 June 2018</b>										
Cost	232,549	66,564	1,957,832	2,050,344	378,016	303,453	219,026	40,968	166,219	5,414,971
Accumulated depreciation	(32,664)	(13,583)	(285,244)	(884,124)	(137,876)	(115,309)	(166,253)	(19,187)	(78,238)	(1,732,478)
Net exchange difference	-	9,047	-	-	24,223	10,419	2,453	-	8,137	54,279
<b>Net book value</b>	<b>199,885</b>	<b>62,028</b>	<b>1,672,588</b>	<b>1,166,220</b>	<b>264,363</b>	<b>198,563</b>	<b>55,226</b>	<b>21,781</b>	<b>96,118</b>	<b>3,736,772</b>
<b>Useful life (years)</b>	<b>38 - 99</b>	<b>Lease term</b>	<b>5 - 60</b>	<b>5 - 10</b>	<b>5</b>	<b>5 - 10</b>	<b>3</b>	<b>5 - 10</b>	<b>5</b>	

### 5.2 The depreciation charge for the year has been allocated as follows:

	2019	2018
	(Rupees in thousand)	
Cost of sales	305,912	238,447
Distribution costs	99,511	61,316
Administrative expenses	85,812	63,746
	<u>491,235</u>	<u>363,509</u>

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

5.3 The details of property, plant and equipment having net book value of Rs. 500,000 and above sold / disposed of during the year by the Parent Company are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser and relationship
(Rupees in thousand)							
Vehicles	897	30	867	897	30	Company Policy	Khwaja Omer Company's Executive
Vehicles	1,204	60	1,144	1,177	33	Company Policy	Muhammad Farooq Company's Executive
Vehicles	799	40	759	948	189	Company Policy	Syed Waqar Ahmed Company's Executive
<b>Total</b>	<b>2,900</b>	<b>130</b>	<b>2,770</b>	<b>3,022</b>	<b>252</b>		

5.4 Capital work-in-progress (CWIP)

Civil works  
Plant and machinery  
Office equipment  
Advance against acquisition of land  
Advance against furniture

	2019	2018
(Rupees in thousand)		
	173,484	252,008
	107,473	323,112
	7,092	8,972
	210,494	210,194
	-	580
	<b>498,543</b>	<b>794,866</b>

5.4.1 During the year the additions to CWIP and transfer of respective assets amounted to Rs. 548.296 million (2018: Rs. 951.8 million) and Rs. 850.59 million (2018: Rs. 1,102.4 million) respectively.

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

5.5 Particulars of immovable property (i.e. land and building) in the name of the Parent Company are as follows:

Location	Usage of immovable property	Total Area (In Sq. Ft.)	Covered Area (In Sq. Ft.)
Corporate office	Office Building	45,099	40,589
S.I.T.E.	Manufacturing plant	76,491	62,029
Port Qasim	Manufacturing plant	435,600	265,556
Nooriabad	Manufacturing plant	602,951	120,112
Muridke	Manufacturing plant	137,196	22,500
Gujranwala	Manufacturing plant	130,000	36,000
Multan	Warehouse	43,560	43,560

6. INTANGIBLES AND GOODWILL

Goodwill and intangibles  
System under development

6.1  
6.3

	2019	2018
(Rupees in thousand)		
	806,999	644,099
	3,135	15,456
	<b>810,134</b>	<b>659,555</b>

6.1 Goodwill and intangibles

**Cost**

Balance as at 1 July 2018  
Addition  
Effect of movement in exchange rates  
Balance as at 30 June 2019

**Accumulated amortisation**

Balance as at 1 July 2018  
Amortisation for the year  
Effect of movement in exchange rates  
Balance as at 30 June 2019

**Carrying amounts**

As at 30 June 2019

**Useful life (years)**

2019				
Computer softwares and ERP System	Goodwill	Customer relationships	Trademark and other	Total
(Rupees in thousand)				
259,116	269,523	98,706	216,411	843,756
54,691	-	-	-	54,691
-	79,368	33,893	64,060	177,321
<b>313,807</b>	<b>348,891</b>	<b>132,599</b>	<b>280,471</b>	<b>1,075,768</b>
188,920	-	10,737	-	199,657
47,804	-	11,268	-	59,072
-	-	10,040	-	10,040
<b>236,724</b>	<b>-</b>	<b>32,045</b>	<b>-</b>	<b>268,769</b>
<b>77,083</b>	<b>348,891</b>	<b>100,554</b>	<b>280,471</b>	<b>806,999</b>
<b>3</b>	<b>-</b>	<b>10</b>	<b>Indefinite</b>	



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	2018				
	Computer softwares and ERP System	Goodwill	Customer relationships	Trademark and other	Total
	(Rupees in thousand)				
<b>Cost</b>					
Balance as at 1 July 2017	200,054	229,765	87,323	184,707	701,849
Addition	59,062	-	-	-	59,062
Effect of movement in exchange rates	-	39,758	11,383	31,704	82,845
Balance as at 30 June 2018	259,116	269,523	98,706	216,411	843,756
<b>Accumulated amortisation</b>					
Balance as at 1 July 2017	146,967	-	3,634	-	150,601
Amortisation for the year	41,953	-	9,451	-	51,404
Effect of movement in exchange rates	-	-	(2,348)	-	(2,348)
Balance as at 30 June 2018	188,920	-	10,737	-	199,657
<b>Carrying amounts</b>					
As at 30 June 2018	70,196	269,523	87,969	216,411	644,099
<b>Useful life (years)</b>	3	-	10	Indefinite	

6.2 The amortization charge for the year has been allocated as follows:

		2019	2018
		(Rupees in thousand)	
Distribution costs	26	11,859	10,337
Administrative expenses	27	47,213	41,067
		<u>59,072</u>	<u>51,404</u>

6.3 This represent amount given to vendor for the development of software which is expected to be capitalised next year.

6.4 **Impairment testing of goodwill, trademark and other indefinite useful life**

For the purpose of the impairment testing, goodwill acquired through business combination and trademarks with indefinite useful life are allocated to the A-1 Bags and Supplies.

The recoverable amount of business operations of AI Bags & Suppliers Inc. (acquired entity) have been determined based on its value in use, determined by discounting the future cash flows to be generated from its continuing use. The cash flow projections prepared covering period from 2020 to 2023 till terminal period. The calculations used for cash flow projections are based on financial budgets prepared by management.

The value in use determined for underlying cash generating unit is higher than its carrying amount.

The key assumptions used in the estimation of value in use were as follow:

	"Percentage (%)"
Sales (% annual growth rate)	14
Budgeted gross margin (%)	20
Other operating cost	14
Long term growth rate	5
Pre-tax discount rate (%)	5.3

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approached used to determine values
Sales Growth	Average annual growth rate over the forecast period based on recent performance and management's expectations of market development. Management does not anticipate material impact owing to change in the assumptions used for growth in sales volume.
Sales Price	Average annual growth rate over the forecast period based on current industry trend and including long term inflation forecast. Management does not anticipate material impact owing to change in the assumptions used for growth in sales price.
Budgeted gross margin	Based on recent performance and management's expectation for the future.
Other operating cost	Fixed cost of the CGU, which do not vary significantly with sales volume or price. Management forecast these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructuring or cost saving measures. The amounts disclosed above are the average operating costs for the forecast period. Management does not anticipate material impact owing to change in the assumptions used for growth in other operating cost.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. Management does not anticipate material impact owing to change in the assumptions used for growth in the long term rate.
Pre-tax discount rates	Reflect specific risks relating to the business segment, and the country in which it operates.
Sensitivity to changes in other assumptions	Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount to exceed its recoverable amount.

## 7 STOCK IN TRADE

Raw materials including goods in transit of Rs. Nil (2018: Rs. Nil)  
Provision for obsolescence

Packing materials  
Provision for obsolescence

Work in process  
Provision for obsolescence

Finished goods including in transit of Rs. Nil (2018: Rs. 17.79 million)  
Provision for obsolescence

7.2

	2019	2018
	(Rupees in thousand)	
	924,038	847,256
	(19,652)	(72,358)
	<u>904,386</u>	<u>774,898</u>
	463,356	361,458
	(42,867)	(68,306)
	<u>420,489</u>	<u>293,152</u>
	1,671,610	1,372,107
	(31,133)	(4,086)
	<u>1,640,477</u>	<u>1,368,021</u>
	2,038,543	1,304,519
	(69,202)	(58,526)
	<u>1,969,341</u>	<u>1,245,993</u>
	<u>4,934,693</u>	<u>3,682,064</u>

7.1 Stock in trade includes Rs. 2.04 billion (2018: Rs. 2.29 billion) held with third parties for the purpose of further distribution to end customers and packaging purposes.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

7.2 The above balances include items costing Rs. 65.17 million (2018: Rs. 43.69 million) valued at net realisable value of Rs. 47.29 million (2018: Rs. 32.1 million).

7.3 During the year, the Company has made a provision of Rs. 40.8 million for obsolescence (2018: Rs. 107.64 million) and has written off stocks against the provision amounting to Rs. 78.2 million (2018: Rs. 25.39 million).

		2019	2018
		(Rupees in thousand)	
<b>8. TRADE DEBTS</b>			
Considered good - unsecured			
Related parties	8.2	-	83,513
Others			
- Local		303,977	263,914
- Foreign		787,997	817,504
		<u>1,091,974</u>	<u>1,164,931</u>
Considered doubtful		86,191	114,282
		<u>1,178,165</u>	<u>1,279,213</u>
Provision for doubtful trade debts		(86,191)	(114,282)
		<u>1,091,974</u>	<u>1,164,931</u>

8.1 The movement in the allowance for impairment for trade debts is as follows:

	2019	2018
Opening provision	114,282	8,133
Charge for the year - net*	33,402	106,149
Writeoffs	(61,493)	-
Closing provision	<u>86,191</u>	<u>114,282</u>

\*During the year the Company has recovered Rs. 7 million which had been written off in the prior period.

		2019	2018
		(Rupees in thousand)	
<b>8.2 Receivable from related parties</b>			
Premier Distributor*		-	32,806
Premier Agency*		-	50,707
		<u>-</u>	<u>83,513</u>

8.2.1 The maximum aggregate amount due from the related party at the end of any month during the year are as follows:

		2019	2018
		(Rupees in thousand)	
Premier Distributor*		-	193,237
Premier Agency*		-	120,496
		<u>-</u>	<u>313,733</u>

\* These parties were no more related to the Company during the current period.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

As at 30 June 2019, the gross amount of trade debts due from related parties is Rs. Nil (2018: Rs. 83.51 million) out of which Rs. Nil (2018: Rs. 49.08 million) were past due. The age analysis of these trade debts is as follows:

	2019	2018
	(Rupees in thousand)	
Up to 3 months	-	37,763
3 to 6 months	-	10,981
More than 6 months	-	333
	<u>-</u>	<u>49,077</u>

## 9. ADVANCES

### Considered good

	2019	2018
Employees - against expenses	1,011	-
Suppliers	116,452	176,735
	<u>117,463</u>	<u>176,735</u>

### Considered doubtful

	2019	2018
Suppliers	27,684	3,413
	<u>145,147</u>	<u>180,148</u>
Provision for doubtful advances to suppliers	(27,684)	(3,413)
	<u>117,463</u>	<u>176,735</u>

9.1 These advances do not carry any mark up arrangement.

## 10. TRADE DEPOSITS AND PREPAYMENTS

### Considered good

	2019	2018
Deposits	38,835	9,000
Prepayments	95,127	103,347
	<u>133,962</u>	<u>112,347</u>

### Considered doubtful

	2019	2018
Deposits	-	1,553
	<u>133,962</u>	<u>113,900</u>
Provision for doubtful deposits	-	(1,553)
	<u>133,962</u>	<u>112,347</u>

10.1 These trade deposits and prepayments are mainly against rent, insurance and utilities. These do not carry any mark up arrangement.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>11. OTHER RECEIVABLES</b>			
Due from related parties			
- ATC Holdings (Private) Limited (formerly Associated Textile Consultants (Private) Limited)	11.1	1,511	861
- Director	11.1	-	197
		<u>1,511</u>	<u>1,058</u>
Others		18,655	22,257
		<u>20,166</u>	<u>23,315</u>

11.1 The balances due from related parties are past due by more than six months but not considered impaired.

		2019	2018
		(Rupees in thousand)	
<b>12. CASH AND BANK BALANCES</b>			
Cash in hand		1,753	1,295
Cash at bank - current account			
- local currency	12.1	149,872	94,649
- foreign currency	12.1	724,619	280,850
		<u>874,491</u>	<u>375,499</u>
		<u>876,244</u>	<u>376,794</u>

12.1 The current accounts are placed with banks under conventional banking arrangements.

## 13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
Number of Shares			(Rupees in thousand)	
2,511,980	2,511,980	Ordinary shares of Rs. 5 (2018: Rs. 5) each issued for consideration paid in cash	12,560	12,560
121,816,247	101,094,876	Ordinary shares of Rs. 5 (2018: Rs. 5) each as fully paid bonus shares	609,081	505,474
<u>124,328,227</u>	<u>103,606,856</u>		<u>621,641</u>	<u>518,034</u>

13.1 The Parent Company in its annual general meeting held on 18 October 2018 passed special resolution for the increase in authorized capital from 1,000 million to 5,000 million with power to increase or reduce as the Parent Company may think fit. The Parent Company may subdivide or consolidate its share in accordance with the provisions of the Companies Act, 2017.

13.2 As at 30 June 2019, ATC Holdings (Private) Limited (formerly Associated Textile Consultants (Private) Limited) (ultimate parent company) held 41,229,269 (2018: 34,357,724) ordinary shares of the Parent Company.

## 14. NON-CONTROLLING INTEREST (NCI)

Below is summarised financial information of A-1 Bags & Supplies Inc. that has a non-controlling interest (40% stake) that is material to the Group. The amounts disclosed are before inter-group eliminations.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## Summarised balance sheet

Non-current assets  
Current assets  
Non-current liabilities  
Current liabilities

Accumulated NCI

2019	2018
(Rupees in thousand)	
483,038	394,396
1,649,572	959,493
(196,999)	(206,679)
<u>(1,277,768)</u>	<u>(820,528)</u>
<u>657,843</u>	<u>326,682</u>
<u>271,598</u>	<u>196,293</u>

## Summarised statement of profit or loss and other comprehensive income

Sales  
Profit for the period  
Total comprehensive income

Profit allocated to NCI  
Eligible dividend to NCI

## Summarised cash flows

Cash flow from operating activities  
Cash flow from investing activities  
Cash flow from financing activities  
Net increase in cash and cash equivalents

## 15. LONG TERM FINANCE

Long term finance  
- MCB Bank Limited - Pakistan  
- MCB Bank Dubai  
- TD Commercial Bank - Canada

Less: Current maturity of long term finance  
Less: Classified under current liability

2019	2018
(Rupees in thousand)	
7,427,332	5,110,353
199,530	54,201
199,530	54,201
<u>75,305</u>	<u>17,900</u>
<u>15,875</u>	<u>13,315</u>
410,724	85,635
(54,836)	(249,520)
(235,953)	158,525
<u>119,935</u>	<u>(5,360)</u>
15.1	193,152
15.2	310,013
15.3	222,996
	<u>726,161</u>
	<u>(315,881)</u>
	<u>(193,152)</u>
	<u>928,142</u>
	<u>199,259</u>

15.1 This represents long term finance facility of Rs. 250 million for ten years and long term loan of Rs. 300 million for six years obtained from commercial bank having mark-up at the rate of State Bank of Pakistan base rate + 0.3% (effective rate: 3.3%) and 3 months Kibor + 0.1% respectively. The loan is secured by way of hypothecation of Company's present and future fixed assets. The unavailed portion of the facility at the reporting date is Rs. 62.88 million.

15.2 NF DMCC, subsidiary company, has entered into a long term loan agreement with MCB Bank Dubai. It carries profit at the rate of 3 month LIBOR + 3% per annum. The tenor of facility is 5 years with grace period of 1 year from initial disbursement (for each tranche). During the year group has received third tranche amounting to AED 5.67 million. The principal is payable in equal quarterly installments. This facility is secured against 60% shares of A1 Bags & Suppliers Inc., undated security cheque, promissory note and assignment of receivables of the Group.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

16.3 A-1 Bags & Supplies Inc., obtained loan from TD commercial bank details are as follows:

	2019	2018
	(Rupees in thousand)	
TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,081 plus interest, maturing in September 2018.	-	306
TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,106 plus interest, maturing in January 2019.	-	731
TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,163 plus interest, maturing in March 2019.	-	893
Business Development Bank of Canada (BDC) loan, secured by accounts receivable, bears interest at rate of BDC's Floating Base Rate plus 0.5% per annum and is payable in 60 equal monthly payments of \$2,080 maturing in June 2020.	3,050	4,711
BDC loan, secured by book debts, bears interest at rate of 4.7% per annum and is repayable in 60 equal monthly payments of \$16,660, maturing in June 2021.	48,865	56,602
BDC loan, secured by book debts, bears interest at rate of 3.05% per annum and is repayable in 60 equal monthly payments of \$5,000, maturing in June 2021.	14,665	16,987
Vehicle loan payable to Scotiabank - loan is secured by a charge of the vehicle, bears interest at a rate of 2.5% with monthly payments of \$1,590, maturing in April 2022.	6,605	6,901
Vehicle loan payable to Scotiabank - loan is secured by a charge of the vehicle, it is non-interest bearing with monthly payments of \$721, maturing in September 2021.	2,378	2,653
TD bank loan, secured by book debts, bears interest at a rate of 4.64% per annum and is repayable in 60 equal monthly payments of \$15,530 including interest, maturing in December 2022.	73,438	71,300
TD bank loan, secured by book debts, bears interest at a rate of 5.06% per annum and is repayable in 60 equal monthly payments of \$7,603 including interest, maturing in February 2023.	37,248	35,723
	<u>186,249</u>	<u>196,807</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 16. DEFERRED CONSIDERATION

The Group has agreed to pay the acquisition price of A1 Bags & Supplies Inc. in tranches. The movement is as follows:

	2019	2018
	(Rupees in thousand)	
Opening balance	-	154,222
Unwinding of deferred consideration	-	7,299
Impact of exchange rate translation	-	26,607
Less: current portion of deferred consideration	-	(188,128)
	<u>-</u>	<u>-</u>

16.1 The unwinding of deferred consideration is included in finance cost.

## 17. DEFERRED LIABILITIES

	2019	2018
	(Rupees in thousand)	
Pension Plan	34,276	11,715
Pensioners' Medical Plan	36,070	30,651
Staff terminal benefits	5,414	2,699
	<u>75,760</u>	<u>45,065</u>

17.1 The Parent Company operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at 30 June 2019.

17.2 Plan assets held in trust are governed by local regulations which mainly include the Trust Act, 1882, the Companies Act, 2017, the Income Tax Rules, 2002 and Rules under the Trust Deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Parent Company appoints the Trustees and all Trustees are employees of the Parent Company.

17.3 The latest actuarial valuation of the Fund as at 30 June 2019 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	Pension Plan		Pensioners' Medical Plan	
	2019	2018	2019	2018
(Rupees in thousand)				
<b>17.4 Balance sheet reconciliation</b>				
Present value of defined benefit obligations	156,293	126,254	81,984	49,965
Fair value of plan assets	(122,017)	(114,539)	(45,914)	(19,314)
	<u>34,276</u>	<u>11,715</u>	<u>36,070</u>	<u>30,651</u>
<b>17.5 Movement in the net liability recognised in the balance sheet</b>				
Opening balance	11,715	3,685	30,651	2,338
Remeasurements recognised in other comprehensive income	28,914	4,015	32,071	33,476
Charge / (income) for the year	5,362	4,015	3,999	622
Contribution made	(11,715)	-	(30,651)	(5,785)
Payments made to members (beneficiaries)	-	-	-	-
Closing balance	<u>34,276</u>	<u>11,715</u>	<u>36,070</u>	<u>30,651</u>
<b>17.6 Remeasurements recognised in other comprehensive income</b>				
Re-measurements: Actuarial (gain) / loss on obligation				
- Loss due to change in financial assumptions	1,904	452	(852)	(141)
- Loss due to change in experience adjustments	16,044	3,078	31,017	33,580
Actuarial (gain) / loss on defined benefit obligation	17,948	3,530	30,165	33,439
Re-measurements: Actuarial (gain) / loss on plan assets				
- Actual return on plan assets	(472)	(9,120)	(80)	(1,477)
- Interest income on plan assets	11,438	9,605	1,986	1,514
Net re-measurement recognised in other comprehensive income	10,966	485	1,906	37
Total defined benefit cost recognised in profit and loss account and other comprehensive income	<u>28,914</u>	<u>4,015</u>	<u>32,071</u>	<u>33,476</u>
<b>17.7 Expense recognised in profit and loss account</b>				
Component of defined benefit costs recognized in profit and loss account				
Current service cost	4,185	3,691	1,076	426
Net interest cost				
- Interest cost on defined benefit obligation	12,615	9,929	4,909	1,710
- Return on plan assets	(11,438)	(9,605)	(1,986)	(1,514)
	<u>1,177</u>	<u>324</u>	<u>2,923</u>	<u>196</u>
	<u>5,362</u>	<u>4,015</u>	<u>3,999</u>	<u>622</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	Pension Plan		Pensioners' Medical Plan	
	2019	2018	2019	2018
(Rupees in thousand)				
<b>17.8 Movement in the present value of defined benefit obligations</b>				
Obligation as at July 1	126,254	113,813	49,965	20,175
Current service cost	4,185	3,691	1,076	426
Interest cost	12,615	9,929	4,909	1,710
Benefits paid	(4,709)	(4,709)	(4,131)	(5,785)
Actuarial loss / (gain)	17,948	3,530	30,165	33,439
Obligation as at June 30	<u>156,293</u>	<u>126,254</u>	<u>81,984</u>	<u>49,965</u>
<b>17.9 Movement in the fair value of plan assets</b>				
As at July 1	114,539	110,128	19,314	17,837
Expected return on plan assets	11,438	9,605	1,986	1,514
Contribution made	11,715	-	30,651	5,785
Benefits paid	(4,709)	(4,709)	(4,131)	(5,785)
Actuarial (loss) / gain	(10,966)	(485)	(1,906)	(37)
As at June 30	<u>122,017</u>	<u>114,539</u>	<u>45,914</u>	<u>19,314</u>
<b>17.10 Plan assets comprise of the following:</b>				
National Savings Schemes	5,880	83,753	2,412	14,123
Cash at bank	105,808	16,024	4,237	2,702
Investment in mutual fund	10,330	14,762	43,396	2,489
	<u>122,018</u>	<u>114,539</u>	<u>50,045</u>	<u>19,314</u>

## 17.11 Principal actuarial assumptions

Expected rate of increase in salaries	10.00%	10.00%
Expected rate of increase in pension	5.00%	5.00%
Expected rate of increase in medical benefits	10.00%	10.00%
Discount factor used	10.00%	10.00%
Mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005
Rates of employee turnover	Moderate	Moderate

## 17.12 Components of defined benefit cost for the next year

Current service cost	5,551	1,840
Interest cost on defined benefit obligation	22,733	11,666
Interest income on plan assets	(17,734)	(7,338)
Net interest cost	4,999	4,328
Cost for the next year to be recognized in statement of profit and loss	<u>10,550</u>	<u>6,168</u>

	2019	2018
(Percent Per Annum)		
	10.00%	10.00%
	5.00%	5.00%
	10.00%	10.00%
	10.00%	10.00%
SLIC 2001 - 2005	SLIC 2001 - 2005	SLIC 2001 - 2005
Moderate	Moderate	Moderate

	2020	
	Pension Plan	Pensioners' Medical Plan
(Rupees in thousand)		
	5,551	1,840
	22,733	11,666
	(17,734)	(7,338)
	4,999	4,328
	<u>10,550</u>	<u>6,168</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

**17.13** In case of the funded plans, the Parent Company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Parent Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Parent Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Parent Company has not changed the processes used to manage its risks from previous periods. The Parent Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2019 consists of special savings certificates ("SSC") majority of which has matured near the end of the year. The Company believes that SSC offer the best returns over the long term with an acceptable level of risk.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

## 17.14 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Change in assumption	Impact on defined benefit obligation	
	Increase in assumption	Decrease in assumption
(Rupees in thousand)		
2019		
Discount rate at June 30	1.00%	272,585
Future salary increases	1.00%	148,562
Future pension increases	1.00%	143,602
Medical cost increases	1.00%	73,114
2018		
Discount rate at June 30	1.00%	203,098
Future salary increases	1.00%	119,402
Future pension increases	1.00%	115,973
Medical cost increases	1.00%	44,241

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within these consolidated financial statements.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

**17.15** The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of the related obligation.

**17.16** The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 12.74 years and 11.55 years respectively.

**17.17** During the year, the Parent Company contributed Rs. 80.98 million (2018: Rs. 86.72 million) to the provident fund.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 17.18 Staff terminal benefits obligation relating to NF DMCC (Subsidiary Company):

	2019	2018
(Rupees in thousand)		
Opening liability	2,699	1,954
Provision for the year	2,716	745
Closing liability	5,414	2,699

This represent staff terminal benefits calculated in accordance with UAE labour laws.

## 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments		Future finance cost		Present value of minimum lease payments	
	2019	2018	2019	2018	2019	2018
(Rupees in thousand)						
Not later than one year	11,623	8,606	2,025	2,002	9,598	6,604
Later than one year and not later than five years	41,854	40,314	3,235	5,844	38,619	34,470
	53,477	48,920	5,260	7,846	48,217	41,074
Less: Current portion shown under current liabilities					(9,598)	(6,604)
					38,619	34,470
Balance owing on vehicles with a carrying value of \$29,952. Due in blended monthly installments of \$502 including interest of 4.75% per annum, maturing in September 2022.					4,532	2,442
Balance owing on vehicles with a carrying value of \$8,320. Due in blended monthly installments of \$327 including interest of 4.76% per annum, maturing in September 2021.					1,103	2,442
Balance owing on vehicle with a carrying value of \$114,662. Due in blended monthly installments of \$2,783 including interest of 4.59% per annum, maturing in March 2023.					17,674	14,972
Balance owing on vehicle with a carrying value of \$165,230. Due in blended monthly installments of \$3,810 including interest of 4.59% per annum, maturing in May 2023.					24,908	21,218
					48,217	41,074



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 19. DEFERRED TAXATION - net

Credit / (debit) balance arising in respect of:

Accelerated tax depreciation / amortisation	371,347	256,437
Provision for stock obsolescence	(41,865)	(53,232)
Provision for doubtful trade debts	(18,760)	(29,794)
Finance costs	(967)	(450)
Deferred rent liability	(9,183)	(6,626)
Provision for retirement benefits obligations and other provisions	(95,514)	(54,422)
	<u>215,508</u>	<u>111,913</u>

2019	2018
(Rupees in thousand)	
371,347	256,437
(41,865)	(53,232)
(18,760)	(29,794)
(967)	(450)
(9,183)	(6,626)
(95,514)	(54,422)
<u>215,508</u>	<u>111,913</u>

## 20. TRADE AND OTHER PAYABLES

Creditors	1,393,660	1,027,268
Accrued liabilities	2,226,774	1,760,018
Workers' Profits Participation Fund	67,623	58,111
Workers' Welfare Fund	99,364	79,903
Advances from customers - unsecured	-	75,981
Payable to provident fund	4,218	11,799
Refund Liabilities	38,752	-
Tax deducted at source	137,668	92,192
Advances from employees against sale of vehicles	85,426	78,387
Other liabilities	16,562	19,319
Due to related parties		
- Directors	58	29,700
- Shareholder	22,609	-
	<u>4,092,714</u>	<u>3,232,678</u>

2019	2018
(Rupees in thousand)	
1,393,660	1,027,268
2,226,774	1,760,018
67,623	58,111
99,364	79,903
-	75,981
4,218	11,799
38,752	-
137,668	92,192
85,426	78,387
16,562	19,319
58	29,700
22,609	-
<u>4,092,714</u>	<u>3,232,678</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 20.1 Workers' Profits Participation Fund

Payable / (receivables) as at July 1	58,111	68,713
Allocation for the year	64,887	57,736
	<u>122,998</u>	<u>126,449</u>
Amount paid during the year	(55,375)	(68,338)
Payable as at June 30	<u>67,623</u>	<u>58,111</u>

2019	2018
(Rupees in thousand)	
58,111	68,713
64,887	57,736
<u>122,998</u>	<u>126,449</u>
(55,375)	(68,338)
<u>67,623</u>	<u>58,111</u>

20.2 All investments out of provident fund maintained by the Parent Company have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the conditions specified thereunder.

20.3 This relates to consideration received from the customers for goods sold which the Group expects to fully or partially refund to the customers in accordance with the requirements of IFRS 15 for goods to be returned.

20.4 This relates to remuneration payable to director.

20.5 This relates to the amount provided by the Non Controlling Shareholders of the Group to meet the working capital requirements.

## 21. CONTRACT LIABILITIES - unsecured

Sales discount payable	4.1.1	63,320	-
Advances from customers	4.1.1	83,330	-
		<u>146,650</u>	<u>-</u>

2019	2018
(Rupees in thousand)	
63,320	-
83,330	-
<u>146,650</u>	<u>-</u>

## 22. SHORT-TERM BORROWINGS

Conventional			
Running finance under mark up arrangements	22.1	805,047	991,820
Export re-finance	22.2	500,000	400,000
Money market loan	22.3	300,000	450,000
Islamic			
Running finance under Musharakah	22.4	296,585	363,049
		<u>1,901,632</u>	<u>2,204,869</u>

2019	2018
(Rupees in thousand)	
805,047	991,820
500,000	400,000
300,000	450,000
296,585	363,049
<u>1,901,632</u>	<u>2,204,869</u>

22.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 7.00% to 13.9% (2018: 6.30% to 7.02%) per annum.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

- 22.2** The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The effective rates of mark-up on this facility is 3.0% (2018: 3.5%) per annum.
- 22.3** The loan is availed from various commercial banks for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 7.01% to 13.3% (2018: 6.26% to 7.06%) per annum.
- 22.4** The Company has obtained facilities for short term finance under Running Musharakah. The effective rate of profit is 7.00% to 13.9% (2018: 6.18% to 6.97%) per annum. This facility matures within twelve months and is renewable.
- 22.5** The facilities available from various banks amount to Rs. 2.74 billion (2018: Rs. 3.19 billion). The arrangements are secured by way of pari-passu charge against hypothecation of Company's current and future movable assets of the Company having aggregate charge amounting to Rs. 3.99 billion.
- 22.6** As at 30 June 2019, the unavailed facilities from the above borrowings amounted to Rs. 0.84 billion (2018: Rs. 1.88 billion).

## 23. COMMITMENTS

- 23.1** The facilities for opening letters of credit amount to Rs. 1.79 billion (2018: Rs. 1.59 billion) and for letters of guarantee amount to Rs. 141 million (2018: Rs. 141 million) as at 30 June 2019 of which the amount remaining unutilised at year end were Rs. 1.34 billion (2018: Rs. 1.34 billion) and Rs. 104.26 million (2018: Rs. 104.26 million) respectively.
- 23.2** Aggregate commitments for capital expenditure as at 30 June 2019 amount to Rs. 411.96 million (2018: Rs. 527.18 million).
- 23.3** Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.6% to six months KIBOR + 0.9% (2018: six months KIBOR + 0.6% to six months KIBOR + 0.9%) per annum for rentals payable monthly as at 30 June 2019 amount to:

	2019	2018
	(Rupees in thousand)	
Not later than one year	86,338	73,447
Later than one year but not later than five years	140,617	114,997
	<u>226,955</u>	<u>188,444</u>

- 23.4** A-1 Bags & Supplies Inc. (Subsidiary Company), has commitments under three operating leases and a sublease agreement. It has subleased one location to a third party tenant on similar terms and conditions. There are two years and five months remaining on the sublease for which the Group could be responsible should the tenant default on rent. Estimated minimum annual payments are as follows:

	2019	2018
	(Rupees in thousand)	
Not later than one year	227,157	151,914
Later than one year but not later than five years	867,519	725,174
	<u>1,094,676</u>	<u>877,088</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 24. SALES

- Local sales
- Export sales
- Gross sales
- Less: Sales tax

24.1

- Less:
- Discount, rebates and allowances
- Sales return

	2019	2018
	(Rupees in thousand)	
	23,915,210	21,785,441
	9,419,554	6,967,024
	<u>33,334,764</u>	<u>28,752,465</u>
	(3,717,992)	(3,173,731)
	<u>29,616,772</u>	<u>25,578,734</u>
	(4,901,460)	(3,740,719)
	(461,515)	(246,456)
	<u>(5,362,975)</u>	<u>(3,987,175)</u>
	<u>24,253,797</u>	<u>21,591,559</u>

- 24.1** Export sales comprise of sales made in the following regions:

- USA / Canada
- Africa
- Middle East Asia
- Europe / UK

	2019	2018
	(Rupees in thousand)	
	8,431,079	5,979,633
	2,878	5,077
	873,870	819,037
	111,727	163,277
	<u>9,419,554</u>	<u>6,967,024</u>

- 24.2** As required for the condensed financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

	2019	2018
	(Rupees in thousand)	
Primary geographical markets:		
Local	23,915,210	21,785,441
USA/Canada	8,421,219	5,979,633
Africa	2,878	5,077
Middle East	883,730	819,037
Europe / UK	111,727	163,277
	<u>33,334,764</u>	<u>28,752,465</u>
Major Product Lines:		
Food Products	9,865,608	9,706,594
Kitchen Products	15,666,820	13,708,450
Cash and Carry	7,802,336	5,337,421
	<u>33,334,764</u>	<u>28,752,465</u>



## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousand)	
<b>25. COST OF SALES</b>		
Raw material consumed	12,273,818	10,303,484
Packing material consumed	3,025,852	2,636,651
Stock written off	-	1,091
Stores and spares consumed	242,001	174,744
Brine and cutting charges	39,829	85,794
Salaries, wages and other benefits	1,098,637	1,008,075
Contribution to provident fund	17,949	14,789
Depreciation	305,912	238,447
Ujrah payments	24,944	19,334
Fuel and power	344,333	290,241
Insurance	20,391	21,721
Laboratory, research and development	12,296	9,525
Postage and communications	5,276	3,455
Printing and stationery	870	807
Rent, rates and taxes	186,017	149,012
Travelling	154,423	110,512
Repairs and maintenance	71,714	73,351
Security charges	23,090	14,908
Inventory destruction charges	23,303	37,578
Legal and professional charges	-	-
Others	25,403	12,460
	<b>17,896,058</b>	<b>15,205,979</b>
Opening work in process	1,368,021	1,056,507
Closing work in process	(1,640,477)	(1,368,021)
Cost of goods manufactured	<b>17,623,602</b>	<b>14,894,465</b>
Opening stock of finished goods	636,220	629,575
Closing stock of finished goods	(990,346)	(636,220)
	<b>17,269,476</b>	<b>14,887,820</b>

## Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Rupees in thousand)	
<b>26. DISTRIBUTION COSTS</b>		
Salaries, wages and other benefits	1,286,899	1,117,016
Advertising and sales promotion	915,434	1,464,816
Commission expense	-	45,283
Outward freight and handling charges	709,108	615,955
Contribution to provident fund	20,987	18,373
Depreciation	99,511	61,316
Amortisation	11,859	10,337
Ujrah payments	37,187	30,070
Fuel and power	4,293	34,356
Forwarding charges	96,934	75,065
Insurance	28,075	29,708
Laboratory, research and development	868	663
Legal and professional charges	79,380	47,516
Postage and communications	1,202	10,747
Printing and stationery	32,658	24,647
Rent, rates and taxes	334,794	298,411
Travelling	185,361	162,887
Repairs and maintenance	58,713	11,387
Security charges	3	-
Others	17,646	79,950
	<b>3,920,912</b>	<b>4,138,503</b>
<b>27. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and other benefits	408,550	301,628
Contribution to provident fund	14,311	11,472
Depreciation	85,812	63,746
Amortisation	47,213	41,067
Ujrah payments	27,501	22,082
Fuel and power	30,781	68,483
Insurance	11,639	5,058
Legal and professional charges	70,031	82,574
Postage and communications	29,668	47,980
Printing and stationery	5,520	5,411
Rent, rates and taxes	43,751	47,535
Travelling	65,339	47,225
Repairs and maintenance	203,944	128,337
Security charges	10,692	18,517
Others	83,345	22,105
Advertising and sales promotion	2,677	-
	<b>1,140,774</b>	<b>913,220</b>

27.1 Salaries, wages and other benefits include Rs. 9.36 million (2018: Rs. 4.64 million) in respect of charge for retirement benefit plans.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

		2019	2018
		(Rupees in thousand)	
<b>28. OTHER EXPENSES</b>			
Workers' Profits Participation Fund		64,887	57,736
Workers' Welfare Fund		22,317	13,217
Auditors' remuneration	28.1	9,946	9,407
Donations	28.2	18,087	11,233
Others		-	125,290
Compensation package dividend		15,875	13,315
		<u>131,112</u>	<u>230,198</u>
<b>28.1 Auditors' remuneration</b>			
Audit fee		8,334	8,350
Limited review, special reports and other certifications		1,332	837
Out of pocket expenses		280	220
		<u>9,946</u>	<u>9,407</u>
<b>28.2 Donations to following Organizations and Trusts exceed 10% of the Goup's total amount of donation or Rs. 1 million, whichever is higher:</b>			
The Citizens Foundation		10,400	6,500
Saylani Welfare Trust		-	4,019
		<u>10,400</u>	<u>10,519</u>

Donations did not include any amount paid to any person or organization or institution in which a Director or his / her spouse had any interest.

		2019	2018
		(Rupees in thousand)	
<b>29. OTHER INCOME</b>			
Exchange gain	29.1	198,568	24,337
Return on savings account and term deposits - conventional		520	2,190
Return on late payments by trade debtors		-	2,386
Profit on disposal of property, plant and equipment		32,324	14,370
Export rebate		6,171	-
Rental income	29.2	8,687	6,741
Others		2,011	3,443
		<u>248,281</u>	<u>53,467</u>

29.1 Income earned from exchange gain is actual currency and not from derivative financial instrument.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

29.2 This includes rental income earned by the subsidiary company on sub lease of one of the property. The Future minimum lease payments receivable under an agreement at reporting date were as follows.

		2019	2018
		(Rupees in thousand)	
Less than one year		14,526	31,395
More than one year		6,052	44,477
		<u>20,578</u>	<u>75,872</u>
<b>30. FINANCE COSTS</b>			
Mark-up on:			
- Short-term running finances	30.1	69,002	78,569
- Export refinance facility		9,521	12,721
- Short-term loans	30.2	19,269	35,011
- Long-term loans	30.3	60,138	4,709
Bank charges and other costs		125,576	57,419
		<u>283,506</u>	<u>188,429</u>
Unwinding of deferred consideration		-	7,299
		<u>283,506</u>	<u>195,728</u>

30.1 This represents markup on running finance balance obtained from commercial banks.

30.2 This represents markup on short term loans obtained from Islamic banks.

30.3 This represents markup on long term loan obtained from conventional banks.

		2019	2018
		(Rupees in thousand)	
<b>31. TAXATION - net</b>			
Current			
- for the year	31.1	321,682	331,525
- prior year		(92,800)	(209,784)
Deferred		123,499	24,633
		<u>352,381</u>	<u>146,374</u>

31.1 Income tax assessment of the Parent Company has been deemed to be finalised upto and including tax year 2018 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

31.2 Deferred tax assets have not been recognised for carried forward tax losses amounting to Rs. 213.57 million as at 30 June 2019 (2018: Rs. 38.38) in the books of NF DMCC (Subsidiary Company), since it is not probable that future taxable amounts will be available to utilise those losses. NF DMCC is subject to tax in respect of its operations in the UK and Canada. Except for A1 Bags & Suppliers Inc. (Canada based subsidiary), no current tax expense has been incurred during the year ended 30 June 2019 and 30 June 2018 as the subsidiary company's operations in these jurisdictions have not generated any taxable profits.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
(Rupees in thousand)		
<b>31.3 Relationship between income tax expense and accounting profit</b>		
Profit before taxation	1,722,896	1,173,408
Tax at applicable rate of 29% (2018: 30%)	499,640	352,022
Tax effect of permanent differences	445	2,164
Tax effect of final tax regime	(12,233)	(10,153)
Effect of tax in foreign jurisdictions	(24,208)	(4,705)
Effect of prior year tax	(92,800)	(209,784)
Effect of change in tax rate	(3,900)	(4,228)
Super Tax	-	33,570
Effect of tax credits	(32,158)	(58,031)
Others	17,595	(247,229)
	<u>352,381</u>	<u>(146,374)</u>

**31.4** Under section 5A of Income Tax Ordinance, 2001, a tax shall be imposed at the rate specified therein on the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute dividend upto a prescribed amount (requisite dividend) within six months of the end of the tax year.

The Board of Directors in their meeting held on August 29, 2019 have recommended sufficient dividend for the year ended 30 June 2019 for the consideration and approval of the shareholders of the Parent Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these consolidated financial statements for the year ended 30 June 2019.

	2019	2018
(Rupees in thousand)		
<b>32. EARNINGS PER SHARE - basic and diluted</b>		
<b>32.1 Basic</b>		
Profit after taxation attributable to owners of the Parent Company	1,295,210	1,009,134
(Number of shares)		
Weighted average number of ordinary shares outstanding during the year	124,328,227	124,328,227
(Rupees)		
Earnings per share	10.42	8.12

**32.2** A diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at balance sheet date which would have any effect on the earnings per share if the option to convert is exercised.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
(Rupees in thousand)		
<b>33. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	1,722,896	1,173,408
Adjustments for non-cash charges and other items		
Depreciation	491,235	363,509
Amortisation	59,072	51,404
Profit on disposal of property, plant and equipment	(32,324)	(14,370)
Impairment loss on trade debts	33,402	106,149
Provision for slow moving stock	(52,964)	83,342
Unwinding of discount	-	7,299
Finance costs	283,506	188,429
Retirement benefits expense	12,075	5,382
	<u>794,002</u>	<u>791,144</u>
Profit before working capital changes	2,516,898	1,964,552
Working capital changes		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(44,845)	(31,000)
Stock in trade	(1,199,665)	(347,092)
Trade debts	39,555	93,491
Advances	59,272	52,378
Trade deposits and prepayments	(21,615)	(50,330)
Sales tax refundable	(12,365)	(80,791)
Other receivables	3,149	79,788
	<u>(1,176,514)</u>	<u>(283,556)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	860,035	195,643
Contract liability	146,650	-
	<u>1,006,685</u>	<u>195,643</u>
	<u>2,347,069</u>	<u>1,876,639</u>
<b>34. CASH AND CASH EQUALIVENTS</b>		
Cash and bank balances	876,244	376,794
Short term borrowings	(1,101,632)	(1,354,869)
	<u>(225,388)</u>	<u>(978,075)</u>



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 35. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

35.1 The aggregate amounts charged in these financial statements in respect of remuneration including all benefits to chief executive, directors and executives of the Company are as follows:

	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
Managerial remuneration and allowances	23,135	20,637	-	-	653,498	457,794
Utilities	2,314	2,064	4	168	26,736	22,196
Bonus / variable pay	3,856	3,192	-	-	71,907	38,838
Housing	10,411	9,287	-	-	120,313	99,881
Retirement benefits	2,314	2,099	-	-	24,264	19,328
Other expenses	1,267	2,476	5,194	9,021	120,397	81,602
	<u>43,297</u>	<u>39,755</u>	<u>5,198</u>	<u>9,189</u>	<u>1,017,115</u>	<u>719,639</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>194</u>	<u>184</u>

35.2 In addition to the above, fee paid to 6 (2018: 6) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 1.45 million (2018: Rs. 2 million).

35.3 The Chief Executive, two non-executive directors and certain executives of the Company are also provided with Company maintained cars, residence and mobile telephones. The approximate value of this benefit is Rs. 49.89 million (2018: 46.63 million).

## 36. RELATED PARTY DISCLOSURES

Related parties comprise the Holding Company, entities with common directors, key management personnel, staff retirement funds, directors, major shareholders and key management personnel. The Group continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rates agreed under a contract/arrangement/agreement.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Group considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

Disclosure of transactions between the Group and related parties:

Relationship with the Group	Nature of transaction	2019	2018
		(Rupees in thousand)	
Parent Company	Rental income	8,687	6,741
	Dividend paid	128,841	146,020
	Rent charges paid / payable	-	2,262
Associates	Sale of goods	-	1,558,144
	Commission expense	-	45,283
	Purchases of good or services	2,016	-
	Advance given	305	-
	Dividend paid	78,665	96,635
	Bonus Shares issued (No. of Shares)	4,195,466	-
Staff retirement funds	Expense charged for the year	53,247	45,029
	Payments to retirement contribution plan	80,983	93,677
	Contribution to defined benefit plans	42,366	5,785
Directors	Technical advisory services	-	-
<b>Key management personnel compensation:</b>			
	Salaries and other short-term employee benefits	653,498	1,030,521
	Contribution to Provident Fund	25,306	37,853
	Retirement benefits	9,361	38,248
	Eligible dividend	15,875	13,315
	Repayment of shareholder loan	13,448	26,132

36.1 Outstanding balances related parties as at year end have been included in trade debts, other receivables and trade and other payables respectively. These are settled in ordinary course of business.

36.2 The following are the related parties with whom the Group had entered into transaction or have arrangement / agreement in place:

Name of the Related Party	Basis of association	Aggregate % of Shareholding
ATC Holdings (Private) Limited (formerly Associated Textile Consultants (Private) Limited)	Holding Company*	33%
Pakistan Business Council	Associated Company due to common directorship	N/A
Premier Distributors	Associated Company due to common directorship	N/A
Premier Agencies	Associated Company due to common directorship	N/A

\*It is the ultimate parent company based on control model as provided under IFRS 10.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	(Metric tons)	
<b>37. PLANT CAPACITY AND PRODUCTION</b>		
Actual production of plants	94,743	100,616

**37.1** The capacity and production of the Parent Company plants are indeterminable as these are multi-product and involve varying processes of manufacture.

	2019	2018
<b>38. NUMBER OF EMPLOYEES</b>		
Total employees of the Parent Company at the year end	753	694
Average employees of the Parent Company during the year	744	680

## 39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 39.1 Financial risk factors

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's activities expose it to variety of financial risks namely credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk). The Group's overall risk management programme focuses on having cost effective funding as well as manage financial risk to minimise earnings volatility and provide maximum return to shareholders.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 39.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
Financial Assets							
Trade debts	-	-	-	1,091,974	-	1,091,974	1,091,974
Advances to employees	-	-	-	1,011	-	1,011	1,011
Trade deposits	-	-	-	38,835	40,846	79,681	79,681
Other receivables	-	-	-	20,166	-	20,166	20,166
Cash and bank balances	-	-	-	876,244	-	876,244	876,244
<b>30 June 2019</b>	-	-	-	2,028,230	40,846	2,069,076	2,069,076
30 June 2018	-	-	-	1,574,040	41,409	1,615,449	1,615,449
Financial liabilities							
Long term finance	315,881	928,142	1,244,023	-	-	-	1,244,023
Liabilities Against Assets							
Subject To Finance Lease	9,598	38,619	48,217	-	-	-	48,217
Trade and other payables	-	-	-	3,698,415	-	3,698,415	3,698,415
Accrued interest / mark up	-	-	-	32,832	-	32,832	32,832
Short term borrowings	1,901,632	-	1,901,632	-	-	-	1,901,632
<b>30 June 2019</b>	2,227,111	966,761	3,193,872	3,731,247	-	3,731,247	6,925,119
30 June 2018	2,919,899	199,259	3,119,158	2,853,910	-	2,853,910	5,973,068
<b>On balance sheet items</b>							
<b>30 June 2019</b>	(2,227,111)	(966,761)	(3,193,872)	(1,703,017)	40,846	(1,662,171)	(4,856,043)
30 June 2018	(2,919,899)	(199,259)	(3,119,158)	(1,279,870)	41,409	(1,238,461)	(4,357,619)
<b>Off balance sheet items</b>							
Letters of credit							
<b>30 June 2019</b>							450,000
30 June 2018							250,000
Letters of guarantees							
<b>30 June 2019</b>							36,740
30 June 2018							36,740

All the financial instruments of the Group are designated as loans and receivables and hence measured at amortised cost. The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the consolidated financial statements.

### 39.2.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.71 billion (2018: Rs. 1.61 billion) the financial assets exposed to the credit risk amounted to Rs. 1.71 billion (2018: Rs. 1.61 billion).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors.

Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of 30 June 2019 trade debts of Rs. 643.70 million (2018: Rs. 1,023.63 million) were past due but not impaired. The carrying amount of trade debts relates to number of individual customers for whom there is no recent history of default.

The Group's maximum exposure to credit risk as at the reporting date is as follows:

	2019	2018
	(Rupees in thousand)	
<b>Financial assets:</b>		
Long-term deposits	40,846	41,409
Trade debts	1,091,974	1,164,931
Advances to employees	1,011	-
Trade deposits	38,835	9,000
Other receivables	20,166	23,315
Cash and bank balances	876,244	376,794
	<u>2,069,076</u>	<u>1,615,449</u>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2019	2018
	(Rupees in thousand)	
Domestic	62,488	113,087
UAE	86,715	156,931
Canada	494,499	894,913
Other region	-	-
	<u>643,702</u>	<u>1,164,931</u>

The cash and bank balances represent low credit risk as major balances are placed with banks having credit ratings of A1+ or above as assigned by PACRA or JCR-VIS and other reputed credit agencies.

The other financial assets are neither material to the consolidated financial statements nor exposed to any significant credit risk. The management does not expect any losses from non-performance by these counterparties.

Trade debts are shown net of allowance for impairment for expected credit loss. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at June 30, 2019:

	Gross Carrying Amount	Expected Credit Loss	Net Carrying Amount
	(Rupees in thousand)		
<b>June 30, 2019</b>			
Current (not past due)	708,705	21,301	687,404
1-30 days past due	271,500	8,358	263,142
31-60 days past due	55,256	1,759	53,497
61-90 days past due	54,462	1,801	52,661
90-180 days past due	43,466	15,383	28,083
More than 180 days past due	44,777	37,590	7,187
	<u>1,178,166</u>	<u>86,192</u>	<u>1,091,974</u>

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The cash and bank balances represent low credit risk as major balances are placed with banks having credit ratings of A1+ or above as assigned by PACRA or JCR-VIS.

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk. The management does not expect any losses from non-performance by these counterparties.

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any concentration of credit risk at reporting date.

## 39.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk reflects the Group's inability in raising funds to meet commitments. The Group manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the Group's liquidity reserve which comprises of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows. The maturity of the Group's financial liabilities are provided in these consolidated financial statements.

## 39.2.3 Market risks

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at 30 June 2019 net financial assets / (liabilities) of Rs. (502.14) million (2018: Rs. (326.82) million) were denominated in foreign currency which were exposed to foreign currency risk.

As at 30 June 2019 if the Pak Rupee had weakened / strengthened by 4% (2018: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 20.09 million (2018: Rs. 13.07 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated trade debts.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Group only as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentages for movement in foreign exchange rates have been used due to the fact that historically (five years) rates have moved on average basis by the mentioned percentage per annum.

Interest rate risk

The Group's only interest rate risk arises from borrowings as the Group has no interest-bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At 30 June 2019 the Group had variable interest bearing financial liabilities of Rs. 3,193.872 million (2018: Rs. 2,903.21 million), had the interest rates varied by 100 basis points (2018: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 31.94 million (2018: Rs. 29.03 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2018:100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis points (2018: 100 basis points) per annum.



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 39.2.4 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2019				
	Short term borrowings used for cash management purpose	Other short term borrowings including related accrued markup	Long term borrowings including loan classified as current [including related accrued markup] (refer note 15.1)	Retained earnings	Total
	(Rupees in thousand)				
Balance as at 1 July 2018	1,354,869	867,604	767,235	3,233,728	6,223,436
Changes from financing cash flows					
Repayment of loan	-	-	(177,354)	-	(177,354)
Proceeds from long term loan	-	-	504,387	-	504,387
Payments and repayments	-	(50,000)	-	-	(50,000)
Dividend paid	-	-	-	(492,133)	(492,133)
<b>Total changes from financing activities</b>	-	(50,000)	327,033	(492,132)	(215,099)
Other changes - interest cost					
Interest expense	69,002	28,790	60,138	-	157,930
Interest paid	(69,002)	(13,562)	(60,138)	-	(142,702)
Changes in running finance	(253,237)	-	-	-	(253,237)
<b>Total loan related other changes</b>	(253,237)	15,228	-	-	(238,009)
<b>Total equity related other changes</b>	-	-	149,755	1,251,910	1,401,665
<b>Balance as at 30 June 2019</b>	<b>1,101,632</b>	<b>832,832</b>	<b>1,244,023</b>	<b>3,993,506</b>	<b>7,171,993</b>

## 39.2.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital. During 2019, the Group's strategy was to maintain leveraged gearing. The gearing ratio as at 30 June 2019 was as follows:

	2019	2018
	(Rupees in thousand)	
Total borrowings	3,193,873	2,931,030
Cash and bank balances	(876,244)	(376,794)
Net debt	2,317,629	2,554,236
Total Equity	5,029,962	4,004,232
Total capital	7,347,591	6,558,468
Gearing ratio	32%	39%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

## 39.3 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management considers fair value of financial assets approximate its fair value owing to their short term maturities and credit quality of counter parties.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 40. OPERATING SEGMENT

The Group has the two operating segments namely core business and retail (cash and carry). The core business providing wide range of food products to consumers. The retail (cash and carry) offer different products / supplies to restaurants, retailers and industrial customers based in Canada.

The Group's chief executive officer reviews the internal management reports of each segment separately.

### 40.1 Segment revenue and results

#### For the year ended 30 June 2019

	Core Segment - Food & Food related products	Retail - (cash and carry)	Total
	(Rupees in thousand)		
Sales	16,825,419	7,428,378	24,253,797
Cost of sales (excluding depreciation and amortization)	(10,978,716)	(5,984,848)	(16,963,564)
Depreciation and amortization	(305,912)	-	(305,912)
Gross profit	5,540,791	1,443,530	6,984,321
Distribution expenses	(2,976,814)	(944,098)	(3,920,912)
Impairment loss on trade debts	(22,745)	(10,657)	(33,402)
Administrative expenses	(1,019,091)	(121,683)	(1,140,774)
Finance cost	(201,187)	(82,319)	(283,506)
Other expenses	(115,237)	(15,875)	(131,112)
Other income	248,281	-	248,281
Profit before taxation	1,453,998	268,898	1,722,896
Taxation	(271,746)	(80,635)	(352,381)
Profit after taxation	1,182,252	188,263	1,370,515

#### For the year ended 30 June 2018

Sales	16,499,848	5,091,711	21,591,559
Cost of sales (excluding depreciation and amortization)	(10,437,201)	(4,212,172)	(14,649,373)
Depreciation and amortization	(238,447)	-	(238,447)
Gross profit	5,824,200	879,539	6,703,739
Selling and distribution expenses	(3,602,008)	(642,644)	(4,244,652)
Administrative expenses	(817,206)	(96,014)	(913,220)
Finance Cost	(146,399)	(49,329)	(195,728)
Other operating charges	(216,883)	(13,315)	(230,198)
Other income	53,467	-	53,467
Profit before taxation	1,095,171	78,237	1,173,408
Taxation	(116,164)	(30,210)	(146,374)
Profit after taxation	979,007	48,027	1,027,034

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

	Core Segment - Food & Food related products	Retail - (cash and carry)	Total
(Rupees in thousand)			
<b>40.2 Segment assets and liabilities</b>			
As at 30 June 2019			
Segment assets	11,495,635	1,787,812	13,283,447
Segment liabilities	7,020,112	1,233,373	8,253,486
As at 30 June 2018			
Segment assets	9,566,151	1,365,941	10,932,092
Segment liabilities	5,900,654	1,027,206	6,927,860

**40.3 Segment assets reported above comprise of property, plant and equipment, stock in trade and trade debts.**

#### 40.4 Information about major customers

The Group's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 71.7% (2018: 94.8%) and to customer outside Pakistan are 28.3% (2018: 5.2%) of the revenue.

#### 40.5 Geographical Location

The Group's gross revenue from external customers by geographical location is detailed below:

	2019	2018
(Rupees in thousand)		
Domestic sales	23,915,210	21,785,441
Export sales	9,419,554	6,967,024
	<b>33,334,764</b>	<b>28,752,465</b>
<b>40.5.1 Region wise export sales are as under:</b>		
USA / Canada	8,431,079	5,979,633
Africa	2,878	5,077
Middle East Asia	873,870	819,037
Europe / UK	111,727	163,277
	<b>9,419,554</b>	<b>6,967,024</b>

**40.6** Management considers that revenue from its ordinary activities are shariah compliant.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

**40.7** Non-current assets of the Group are located in Pakistan except non-current assets amounting to Rs. 1,160.129 million (2018: 929.248 million) are located outside Pakistan.

#### 41. EVENT OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company in their meeting held on August 29, 2019 has proposed a final dividend of Rs. 4 per share amounting to Rs. 497.3 million and bonus issue of 1 share for each 5 shares held amounting to book value of Rs. 124.3 million for the year ended 30 June 2019. The approval of the shareholders of the Parent Company for the dividend and bonus issue shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2019. The consolidated financial statements for the year ended 30 June 2019, do not include the effect of the proposed final cash dividend and bonus issue which will be accounted for in the year ending 30 June 2020.

#### 42. DATE OF AUTHORISATION

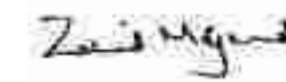
These consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on August 29, 2019.



Chief Executive Officer



Chief Financial Officer



Director

# Notice of Annual General Meeting

Notice is hereby given that the 48th Annual General Meeting of National Foods Limited will be held on Friday, October 18, 2019 at 11:00 A.M. at Beach Luxury Hotel, Karachi to transact the following business:

## Ordinary Business:

1. To confirm the minutes of the Extra-Ordinary General Meeting held on April 29, 2019.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2019 together with the Directors' and Auditors' Reports thereon, together with Audited consolidated financial statements of the Company and the Auditors' reports thereon for the year ended June 30, 2019.
3. To approve and declare the dividend on the Ordinary Shares of the Company. The Directors have recommended final dividend of 80% (Rs.4.00/- per Ordinary Share of Rs. 5/- each), for the year ended June 30, 2019.
4. To appoint External Auditors of the Company for the ensuing year, and to fix their remuneration. The Board of Directors, on the recommendation of Audit Committee of the Company, has proposed re-appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as external auditors, for the year ending June 30, 2020.

## Special Business:

5. To consider and, if thought fit, to pass with or without modification(s), the resolutions appearing below as ordinary resolutions for the capitalization of free reserves to issue bonus shares as recommended by the Directors.

**“RESOLVED THAT** a sum of Rs.124,328,000/- be capitalized out of the free reserves of the Company and applied towards issue of 24,865,600 ordinary shares of Rs. 5 each, as 20% fully paid bonus shares i.e. in the proportion of one (1) ordinary share for every five (5) ordinary shares held by the members of the Company whose names appear in the Members' Register as at the close of the business on October 9, 2019.”

**“FURTHER RESOLVED THAT** the bonus shares shall rank pari passu in all respects with the existing shares of the Company as regards the future entitlements, however, these shares shall not be eligible for any final dividend declared by the Company for the year ended June 30, 2019.”

**“FURTHER RESOLVED THAT** members fractional entitlement, as a result of their entitlement to a fraction of a bonus share due to their respective shareholdings, shall be consolidated into whole shares and sold on the Pakistan Stock Exchange and the proceeds so realized shall be deposited into a charity account to be proposed and approved by the Shareholders in Annual General Meeting on October 18, 2019.”

**“FURTHER RESOLVED THAT** the Chief Executive and Company Secretary be and are hereby jointly and/or severally authorized to give effect to these resolutions and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares and the deposit of sale proceeds of the fractions into aforementioned account.”

6. To consider, and if thought fit, to pass the following resolutions as ordinary resolutions, (a) to ratify and approve the transactions carried out with related parties during the financial year ended June 30, 2019 and (b) & (c) to authorize the Board of Directors to approve all related party transactions carried out and to be carried out during the year ending June 30, 2020.
  - a) **“RESOLVED THAT** the transactions carried out by the company with the following related parties for the financial year ended June 30, 2019 be and are hereby ratified and approved.”
    - i) National Foods DMCC;
    - ii) ATC Holdings (Private) Limited;
  - b) **RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to approve all

# Notice of Annual General Meeting

transactions carried out and to be carried out with the above named related parties, on case to case basis, for the financial year ending June 30, 2020 and till next Annual General Meeting of the Company.

- c) **RESOLVED FURTHER THAT** the approval of transactions by the Board, as aforesaid, shall be deemed to have been approved by the shareholders and the transactions for the year ending June 30, 2020 shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.
7. To transact any other business with the permission of the Chair.

**Statements under Section 134(3) of the Companies Act, 2017 in respect of special business contained in Agenda Item Number 5 is annexed to the notice being sent to the members.**

By Order of the Board

Karachi  
Date: September 25, 2019

Fazal ur Rehman Hajano  
Company Secretary



# Notice of Annual General Meeting

## Notes:

### 1. Book Closure Notice

The share transfer books of the Company will remain closed from October 10, 2019 to October 18, 2019 (both days inclusive). Transfers received, in order, at the office of our Share Registrar M/s. CDC Share Registrar Services Limited, Head Office, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi-74400, by the close of business on October 9, 2019, will be considered in time for the determination of the entitlement of the shareholders to final cash dividend, bonus shares and to attend and vote at the meeting.

### 2. Appointment of Proxy and Participation in the AGM

- A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote for his/her behalf. A proxy must be a member of the Company. A proxy shall also have the right to demand and join in demanding a poll and vote on a poll.
- The instrument appointing proxy, together with the power of attorney or other authority under which it is signed, as the case may be, or a notarial certified copy of the power or authority, must be deposited at the Registered Office of the Company situated at 12/CL-6, Claremont Road, Civil Lines, Karachi-75530, at least 48 hours before the time of the meeting. Form of Proxy is enclosed. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.
- Owners of the physical shares and of the shares registered in the name of CDC Share Registrar Services Limited, and / or their proxies are required to produce their original valid Computerized National Identity Card (CNIC) or Passport, for identification purposes, at the time of attending the meeting.

### 3. Submission of Copies of Valid CNICs

Members, who have not yet submitted attested photocopy of their valid CNIC along with folio number, are requested to send the same, at the earliest, directly to the Company's Share Registrar.

### 4. Changes in Members Addresses

Members are requested to notify any change in their addresses immediately to the Company's Share Registrar.

### 5. E-Dividend

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar, at the address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company.

### 6. Deduction of Income Tax under Section 150 of the Income Tax Ordinance, 2001

Pursuant to the Finance Act, 2019, effective July 01, 2019, the rate of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001, from payment of dividend to a NON-FILER of income tax return is prescribed as 30% and for FILER of Tax Returns as 15%. List of Filers is available at Federal Board of Revenue's (FBR) website: <http://www.fbr.gov.pk>. Members are therefore advised to update their tax FILER status latest by October 9, 2019.

Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

# Notice of Annual General Meeting

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Folio/CDC A/c No.	Total number of shares	Principal Shareholders		Joint Holder(s)	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar by the close of business (5:00 p.m.) on October 9, 2019; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

The information received within the above specified time would enable the Company to deduct income tax at the applicable rates from the payment of dividend if announced by the Company on October 18, 2019.

Members seeking exemption from deduction of income tax or deduction at a reduced rate under the relevant provisions of the Income Tax Ordinance, 2001, are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be, latest by October 9, 2019.

For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following phone Numbers, email addresses:

Company: Corporate.Secretary@nfoods.com  
Share Registrar: info@cdcsrsl.com

### 7. Unclaimed Dividend/Shares

Shareholders, who by any reason, could not claim their dividend/shares, if any, are advised to contact our Share Registrar, CDC Share Registrar Services Limited, Head Office, House-99B, Block 'B', S.M.C.H.S., main Shahrah-e-Faisal, Karachi-74000 to collect / enquire about their unclaimed dividend/shares, if any.

In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend outstanding for a period of 3 years or more from the date due and payable shall be deposited to the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.

### 8. Postal Ballot/E-Voting

In accordance with the Companies (Postal Ballot) Regulations, 2018, for the purpose of election of directors and for any other agenda item subject to the requirements of section 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot i.e. by post or e-voting, in the manner and subject to conditions contained in aforesaid regulations.

# Notice of Annual General Meeting

## 9. Video-link Facility

If the members holding ten percent of the total paid up capital or such other percentage of the paid up capital as may be specified by the Commission, are resident in any other city, the company shall provide the facility of video-link to such members for attending annual general meeting of the company, if so required by such members in writing to the company at least seven days (7) before the date of the meeting.

### Consent for Video-link Facility

I/We, of being a member of National Foods Limited holder of Ordinary Share(s) as per Register Folio No. \_\_\_\_\_ hereby opt for participation in the Annual General Meeting to be held on October 18, 2019 or any adjourned meeting through video-link facility at \_\_\_\_\_ (Please insert name of the City)

\_\_\_\_\_  
Signature of member

## 10. Availability of Financial Statements and Reports on the Website:

The Annual Report of the Company for the year ended June 30, 2019 has been placed on the Company's website at the given link: <http://nfoods.com/contents/our-company/financials/>

## 11. Electronic Transmission of Financial Statements and Notice of Meeting

Members who desire to receive annual financial statements and notice of meeting for the financial year ending June 30, 2020 or onward through e-mail, instead of registered post/courier, may submit their consent on the FORM available for the purpose on Company's website.

### Share Registrar

CDC Share Registrar Services Limited  
Share Registrar Department  
CDC House, Block B, SMCHS,  
Main Shahrah-e-Faisal, Karachi-74400

### Registered Office

National Foods Limited  
12/CL-6, Claremont Road,  
Civil Lines, Karachi.

## STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement set out all the material facts concerning Special Business under Agenda Item No. 5 and 6 to be transacted at the 48th Annual General Meeting.

### AGENDA ITEM NO. 5

#### ISSUE OF BONUS SHARES BY CAPITALIATION OF FREE RESERVES

The Board of Directors in their meeting held on August 29, 2019, have recommended capitalization of a sum of Rs. 124,328,000/- out of free reserves of the Company for issue of 24,865,000 ordinary shares of Rs. 5 each, as 20% fully paid bonus shares. The directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves.

The Directors of the Company have not, direct or indirect interest in this special business, except to the extent of their entitlements of bonus shares and their relatives who are also shareholders of the Company.

# Notice of Annual General Meeting

## AGENDA ITEM NO. 6

### ORDINARY RESOLUTIONS – TRANSACTIONS WITH RELATED PARTIES

#### (a) Ratification and approval of transactions with related parties carried out during the financial year ended June 30, 2019

The company carries out transactions with its related parties on an arm's length basis, as per the approved policy with respect to 'transactions with related parties', in the normal course of business. All transactions entered into with related parties require the approval of the Board Audit Committee of the Company, which is chaired by an independent director of the Company. Upon the recommendation of the Board Audit Committee, such transactions are placed before the Board of Directors for their approval. However, in terms of Regulation 15(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Code) approval of shareholders is required for such transactions with related parties in which majority of directors of the company are interested. The Companies Act, 2017 (the Act) also requires approval of shareholders on the matters where majority of directors are interested.

In view of the above, following transactions carried out in normal course of business on an arms' length basis with related parties during the financial year ended June 30, 2019, are being placed before the shareholders for their ratification and approval.

Name	Relationship	Nature of Transaction	Amount in Rupees
National Foods DMCC	Subsidiary	Net sales	1,170,480,000
ATC Holdings (Private) Limited	Parent Company	Rent Income	8,687,000

#### (b) and (c) Authorization for the Board of Directors to approve the related party transactions during the financial year ending June 30, 2020 and till next Annual General Meeting

The Company is and shall be conducting transactions with its related parties during the financial year ending June 30, 2020 and subsequently, on arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business.

The related parties' transactions in which majority of Directors are interested due to their common directorship and/or shareholding, therefore necessitate approval of shareholders. Accordingly, approval of shareholders is being sought to authorize the Board of Directors of the Company to approve all transactions carried out and to be carried out with such related parties during the financial year ending June 30, 2020 and till next Annual General Meeting, which transactions shall be deemed to be approved by the Shareholders.

The nature and scope of such related party transactions is explained above in the statement of Agenda Item No. 6(a). The related party transactions conducted during financial year ending June 30, 2020, shall then be placed before the shareholders in the next AGM for their formal approval/ratification.

#### Disclosure of Interest of Directors

Mr. Abdul Majeed, Mr. Abrar Hasan and Mr. Zahid Majeed are interested in the agenda to the extent of their common directorships and/or their shareholding in respective related parties and Mrs. Noreen Hasan due to interest of his spouse.

# Dividend Mandate

CDC/RTA/NATF/Letter/17  
Date \_\_\_\_\_

Folio No. \_\_\_\_\_  
Name of Shareholder  
F/H Name  
Address

Bank Account Details for Payment of Cash Dividend  
(Mandatory Requirement as per the Companies Act, 2017)

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information:

Details of Shareholder	
Name of shareholder	
Folio / CDS Account No.	
CNIC No.	
Cell number of shareholder	
Landline number of shareholder, if any	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	<b>PK _____ (24 digits)</b> (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.	
_____ Signature of shareholder	

You are requested to kindly send us photocopy of this letter immediately duly filled in and signed by you along with legible photocopy of your valid CNIC at our address, Share Registrar Services, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, Main Shahrah-e-Faisal, Mian Shahrah-e-Faisal, Karachi. 74400, Pakistan.

Regards,

Share Registrar Department  
Central Depository Company of Pakistan Limited  
Share Registrar: National Foods Limited

Note: This letter is being computer generated and does not require any signature.

# Dividend Mandate

Letter format for CDS Shareholders

CDC/RTA/NATF/Letter/17  
Date \_\_\_\_\_

CDS Account No. \_\_\_\_\_  
Name of Shareholder  
F/H Name  
Address

Bank Account Details for Payment of Cash Dividend  
(Mandatory Requirement as per the Companies Act, 2017)

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank accounts of entitled shareholder as designated by them. In pursuance of the direction given by Securities and Exchange Commission of Pakistan (SECP), kindly immediately contact your relevant CDC Participant/CDC Investor Account Services Department and provide them your bank mandate information including International Bank Account Number (IBAN) which is now mandatory for all cash dividend payments.

In order to comply with regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide requisite bank mandate information to your respective Participant/CDC Investor Account Services Department immediately.

Regards,

Share Registrar Department  
M/s. Central Depository Company of Pakistan Limited,  
Share Registrar: National Foods Limited

Note: This letter is being computer generated and does not require any signature.



## Glossary

<b>ATL:</b>	Above the Line
<b>APLAC:</b>	Asian Pacific Laboratory Accreditation Cooperation
<b>BTL:</b>	Below the Line
<b>CEO:</b>	Chief Executive Officer
<b>CSR:</b>	Corporate Social Responsibility
<b>DDS:</b>	Door to Door Service
<b>DMCC:</b>	Dubai Multi Commodities Centre
<b>FSSC:</b>	Food Safety System Certification
<b>HACCP:</b>	Hazard Analysis and Critical Control Points
<b>HMA:</b>	Halal Monitoring Authority
<b>HR:</b>	Human Resource
<b>ID:</b>	International Division
<b>ISO:</b>	International Standard Organisation
<b>NFL:</b>	National Foods Limited
<b>PNAC:</b>	Pakistan National Accreditation Council
<b>PR:</b>	Purchase Requisition
<b>RDP:</b>	Rural Development Programs
<b>SAP:</b>	System, Applications and Products in data processing
<b>SIP:</b>	Sales Incentive Plan
<b>SKU:</b>	Stock Keeping Units
<b>SnOP:</b>	Sales and Operations Planning
<b>TVC:</b>	Television Commercial
<b>UNICEF:</b>	United Nations International Children's Emergency Fund

## Jama Punji Information

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کاروباری تسلسل اور کسی بھی آفت کی بحالی کی منصوبہ بندی کے لیے (DRP) کے طریقہ کار موجود ہیں جو کمپنی کی پیداوار اور فروخت کے عمل میں کسی قسم کی رکاوٹ نہیں آنے دیتے۔ DRP کی تمام تر توجہ کاروباری پہلوؤں پر ہوتی ہے خاص طور پر IT اور EPR کے ماحول پر جس سے کئی کام یا آسانی ہو جاتے ہیں۔ DRP لیڈسٹرینگ کمیٹی اور قلمیڈی ٹیم کے ارکان کی ذمہ داری ہے کہ کاروباری رکاوٹیں آنے کی صورت میں فوری ردعمل کا اظہار کرتے ہوئے کام کو ہموار بنانے کی یقین دہانی کروائیں۔

کمپنی کے مالیاتی معاملات میں زیادہ سے زیادہ مالی استحکام اور کم لاگت کو یقینی بنانے کے لیے قرضوں اور مساواتی حکمت عملی موجود ہے تاہم کمپنی اضافی قرضوں کی وجہ سے اور منافع کی شرح میں منفی تبدیلی کی وجہ سے حساسیت کا شکار ہے۔ کمپنی ان مسائل پر مختلف مالی اختیارات کے طریقوں پر عمل کرتے ہوئے قابو پاتی ہے، ان اختیارات میں رنگ

فنانس، منی مارکیٹ لووز اور طویل مدتی قرضے شامل ہیں۔ اس کے علاوہ کمپنی برآمدات کے خلاف رعایتی LTFE اور ERF سے بھی فائدہ حاصل کر رہی ہے۔

کمپنی کی اپنی ایک قانونی اور رپورٹنگ ٹیم بھی ہے جو ہمہ وقت کمپنی کے کارپوریٹ قانونی فریم ورک اور کمپنی کے لیے لاگو مالی رپورٹنگ کے فریم ورک کے مطابق بیک وقت اس کی تعمیل کو یقینی بنانے کے لیے اپنا کردار ادا کرتی ہے۔ ایکسٹرنل قانونی اور ٹیکس کے مشوروں کے لیے ماہر لوگوں کی ٹیم بھی ہمہ وقت موجود ہے جو بوقت ضرورت اپنے قیمتی مشوروں سے کمپنی کی رہنمائی کرتی ہے۔

### نیشنل ایکس چیکر میں شراکت

سال کے دوران نیشنل ایکس چیکر میں مزید اضافہ ہوا اور کمپنی نے تقریباً 4,105 ملین روپے (2018: 4,090 ملین روپے) گورنمنٹ اور اس کی کئی ایجنسیوں کو مختلف گورنمنٹ لیویز کی مدد میں ادا کیے، جس میں کسٹم ڈیوٹی، سیلز ٹیکس اور انکم ٹیکس شامل ہیں۔ اس کے علاوہ پروڈکٹس کی برآمدات سے فارن ایکسچینج 1,223 ملین روپے (2018: 1,194 ملین روپے) کی پیداوار بھی ہوئی جو قومی معیشت میں ہماری شراکت کی عکاسی کرتی ہے۔

### ڈویڈنڈ:

بورڈ آف ڈائریکٹرز نے حتی کیش ڈویڈنڈ 4 روپے فی حصص دینے کی تجویز دی ہے اور 1 حصص کا بونس ڈویڈنڈ ہر 5 حصص جوڈویڈنڈ حاصل کرنے کے حقدار کو تعین کردہ تاریخ پر دیا جائے گا۔ کل اسٹینڈالون منافع کی ترسیل ڈویڈنڈ کی رقم کے 57% (2018: 52%) کے لحاظ سے کی گئی ہے۔

### کوڈ آف کارپوریٹ گورننس کی تعمیل:

نیشنل فوڈز لمیٹڈ کا انتظامی مقصد کارپوریٹ کے اچھے انتظام اور بہترین طریقوں کی تعمیل پر مشتمل ہے۔ جیسا کہ فہرست میں درج شدہ کمپنیوں (کوڈ آف کارپوریٹ گورننس) کے قواعد 2017 (کوڈ) کے تحت ضروری ہے کمپنی نے کوڈ کو اس کی تمام تر ذمہ داریوں کے ساتھ نیچے درج کیے گئے انداز میں اپنایا ہوا ہے:

- کام کے نتائج، لین دین اور تمام تبدیلیوں کو غیر جانبداری کے ساتھ فنانشل اسٹیٹمنٹس کمپنی کے اسٹیٹ آف افیئرز تک شفاف انداز میں پیش کیا جائے۔
- کمپنی کے اکاؤنٹس بکس کو درست طریقے سے قائم رکھا ہوا ہے۔
- مالیاتی بیانات کے نوٹ میں بیان کردہ مناسب اکاؤنٹنگ پالیسیوں کو مسلسل فنانشل اسٹیٹمنٹس کی تیاری میں لاگو رکھا گیا ہے اور اکاؤنٹنگ کا تخمینہ معقول اور پرکشش فیصلے پر مبنی ہے۔
- فنانشل اسٹیٹمنٹس کی تیاری بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈ کے مطابق کی جاتی ہے اور کسی بھی خامی کو مناسب طریقے سے بتایا جاتا ہے۔
- اندرونی کنٹرول کا نظام نہایت شاندار، موثر طریقے سے ڈیزائن شدہ اور کڑی نگرانی میں ہے۔ بورڈ نے چیئر مین کمیٹی کو ملکر چارٹرڈ پر مشتمل ایک آڈٹ کمیٹی مقرر کی ہے۔ آڈٹ کمیٹی کا چیئر مین ایک آزاد ڈائریکٹر ہے جو Code کی ضروریات کی تعمیل کے لیے باقاعدہ طور پر کمیٹی سے ملتا رہتا ہے۔
- جیسا کہ درج شدہ دفعات میں تفصیلاً واضح کیا گیا ہے، کارپوریٹ گورننس پر، بہترین عمل درآمد سے مادی طور پر کوئی انحراف نہیں برتا گیا ہے۔
- حالیہ اندازے کے مطابق کمپنی کے اسی طرح جاری رہنے کی قابلیت پر کوئی تشویشی شکوک و شبہات نہیں ہیں۔
- آڈٹ اسٹینڈنگ ڈیویڈنڈ، قانونی چارجز اور ٹیکسز (اگر کوئی ہو) تمام تفصیل فنانشل اسٹیٹمنٹ میں واضح طریقے سے بتائی گئی ہے۔
- گزشتہ 6 سالوں کے لیے اہم مالیاتی اعداد و شمار کے بارے میں اسٹیٹمنٹ اس رپورٹ میں شامل ہے۔
- 30 جون 2019 تک غیر آڈٹ شدہ اکاؤنٹس پر پروڈنڈ فنڈز کی سرمایہ کاری کی قیمت 476 ملین تھی۔
- بورڈ آف ڈائریکٹرز کی حاضری، ہیومن ریسورس اور ریوٹن کمیٹی اور آڈٹ کمیٹی کی رپورٹ شامل ہے۔

### حصص داری کا طریقہ

کمپنی میں حصص داری کا طریقہ سالانہ رپورٹ کے ساتھ منسلک ہے۔

### انٹرنل آڈیٹرز کی کارگزاری:

کمپنی کا اندرونی آڈٹ سربراہ کی زیر نگرانی اندرونی آڈٹ کے اندرونی آڈٹرز M/S Ernst Young Ford Rhodes & Co کے تعاون سے جاری ہے۔ اندرونی آڈٹ کا سربراہ براہ راست چیئر مین بورڈ آف آڈٹ کمیٹی کو رپورٹ کرتا ہے۔

### ایکسٹرنل آڈیٹرز:

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کو (KPMG Taser Hadi & Co) چارٹرڈ اکاؤنٹس ریٹائرڈ ہو رہے ہیں جو کہ دوبارہ تعیناتی کے اہل بھی ہیں۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے میسرز کے پی ایم جی تاثیر ہادی اینڈ کو (KPMG Taseer Hadi & Co) چارٹرڈ اکاؤنٹس کو بطور آڈیٹرز اگلے سالانہ جنرل اجلاس تک کے لیے اپائنٹڈ کا رپورٹ بھیج دیا ہے۔

### آگے بڑھنے کی لگن اور مستقبل کا نقطہ نظر:

آنے والے مالیاتی سال میں نئی حکومت کی ساختی اصلاحات کے حوالے سے روپے کی قدر میں کمی اور بڑھتی ہوئی مہنگائی کی غیر یقینی صورتحال سے نمٹنے کے لیے مسائل کا سامنا ہوگا۔ جبکہ کمپنی منظم استحکام کی مستقل حکمت عملی اپنانے کی مگر ساتھ ہی ساتھ نئے مواقع تلاش کر کے ان کے ذریعے ترقی کی راہیں بھی تلاش کریں گی جس میں ہم سرمایہ کاری کر سکیں۔ مہنگائی کے اس انتہائی ضروری وقت میں صارف تک کمپنی معیشت کے اس نظام کو جاری رکھتے ہوئے پہنچائے گی۔ کمپنی اپنے محصول پر مبنی ذریعوں (جینٹلز) کو بڑھانے کے لیے اپنی کوششوں میں اضافہ کر رہی ہے اور مزید سرمایہ کاری کو برقرار رکھتے ہوئے اگلے سال کے لیے دیہی اور غذائی خدمات میں بہترین ترقی کے مواقع لائے گی۔ مشکل حالات کو شاندار مواقعوں میں بدلنے کے لیے نیشنل فوڈز لمیٹڈ کے پاس ایسی متعدد مؤثر حکمت عملی موجود ہے، جس کو تیزی سے بدلتی ہوئی معاشی صورتحال سے نمٹنے کے لیے استعمال کیا جاسکتا ہے۔ ہمیں امید ہے کہ مستقبل میں ان مؤثر حکمت عملیوں کے ذریعے ہم اپنے حصص داران کی مزید خدمت کر سکیں گے۔


### اظہار تشکر

بورڈ ان تمام افراد کا تہ دل سے ممنون ہے جنہوں نے گزشتہ پانچ سال سے نیشنل فوڈز لمیٹڈ کو مستقل اپنی شاندار کارکردگی اور دن رات کی لگن کی وجہ سے بہترین برانڈ بنائے رکھا۔ ہم آپ کے اس جذبے کی قدر کرتے ہیں کہ جس طرح ایک مضبوط ٹیم ورک کے ساتھ مل جل کر مسائل کا حل نکال کر کمپنی کی فلاح و بہبود کے لیے آپ اپنی بھرپور کوشش کر رہے ہیں۔ ہم آپ سب کے مشکور و ممنون ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



ڈائریکٹر



چیف ایگزیکٹو آفیسر

- بڑھتے ہوئے صنعتی کرداروں اور جدیدیت کے ساتھ، یہ ہمارے لیے ضروری تھا کہ ہم صارفین کے بدلتے ہوئے طرز عمل کے ساتھ اپنے برانڈ کے روایتی تصور برقرار رکھتے ہوئے مثبت تبدیلیاں لاتے رہیں۔ اس سال کی موضوعاتی مہم ' نئی سوچ کے نئے ذائقے ' کے ساتھ برانڈ نے ایک براہ راست تبدیلی کا تجربہ کیا۔ سال بھر چھٹی، حلیم وغیرہ کے متعلقہ سیزنز میں تدبیرانہ مہم کے ساتھ ہی موضوعاتی پلیٹ فارم کا مزید فائدہ اٹھایا گیا۔
- اس کے علاوہ جغرافیائی حد بند یوں سے بڑھ کر بھی کراچی اور خیبر پختونخواہ میں صارفین کی دلچسپی اور تجارتی معاہدوں کو زیادہ سے زیادہ بڑھانے کے لیے فوری اور جامع منصوبہ بندی بھی کی گئی۔
- کراچی ایٹ 2019 میں شہر کے سب سے بڑے فوڈ فیٹیول کے بارے میں زیادہ سے زیادہ معلومات فراہم کرنے کا منصوبہ بنایا گیا جس میں نیشنل فوڈز کے اسٹال پر کراچی کے تمام فوڈیز کو آنے اور مختلف اقسام کے کھاناوں سے لطف اندوز ہونے کے لیے دعوت دینا شامل تھا۔ میٹرو میں جدید اسٹریٹ فوڈ کے ساتھ نیشنل مصنوعات کی ریخ کے امتزاج پرفوکس کیا گیا۔ شاورمانیکوس اور چٹ پٹانن کباب اور وینڈنگ مشین کے ذریعے بریانی کے تجربات بے حد دلچسپ اور کامیاب رہے۔

### دیگر اہم کامیابیاں

- نیشنل فوڈز لمیٹڈ کو UN SDGs کے صنعتی مساوات پڑنی، سی ایف اے سوسائٹی پاکستان کی جانب سے اپنی تنظیم کی ہر سطح پر ایک جامع افرادی قوت کی تعمیر کے لیے فعال طور پر کام کرنے کے لیے، 'Recognizing Gender Diversity at Workplace: Special Recognition, Local Industry' ( کام کرنے کی جگہ پر صنعتی تنوع کو پہچانا: خصوصی شناخت، مقامی صنعت ) کے ایوارڈ سے نوازا گیا۔
- نیشنل فوڈز کو ' فوڈ ہاؤس ہولڈنگ ٹیگ ' میں ٹاپ برانڈ ایوارڈ ' سے نوازا گیا۔ ہمیں ایک سے زیادہ مصنوعات میں نمایاں برانڈ کے طور پر نامزد کیا گیا تھا جس میں ریسپنسی مکسر، اچار، مصلحے، کچپ، جیم، جیلی اور مارملیڈ شامل ہیں۔
- ہم نے اپنے فوڈ سیفٹی مینجمنٹ کے بارے میں برٹش ریٹیل کنسورشیم کی جانب سے ایک کامیاب سند (سرٹیفیکیشن) حاصل کی ہے۔ بی آر سی فوڈز کے سیفٹی اسٹیڈنڈرڈ پروڈکٹ سیفٹی، معیار، سالمیت اور فوڈ میں آپریشنل کنٹرولز اور فوڈ کے اجزاء کی میٹوفیکرینگ، پروسیدنگ اور بیکنگ انڈسٹری کا انتظام کرنے کے لیے ایک فریم ورک مہیا کرتا ہے۔ نیشنل فوڈز کے آپریشنز کے اعلی معیار نے اپنی معیاری کارکردگی کے ذریعے اس معیار کو پورا کرنے کو یقینی بنایا جس کے نتیجے میں کیے گئے آڈٹ میں گریڈ اے کا حصول ہوا۔

### ہمارے لوگ:

ہمارے لوگ ہماری کامیابی کے بنیادی کارگر ہیں۔ ہم اس بات کو یقینی بناتے ہیں کہ ہم اپنی تیز رفتاری کو برقرار رکھنے کے لیے ایک کارکردگی پڑنی روایت اور درست صلاحیتوں کے حامل درست لوگوں کو شامل کریں تاکہ اپنے وزن کا ادراک کر سکیں جو ہمارے بانی کے فلسفے کی نمائندگی کرے۔ 2018-19 اس حوالے سے بھی خاص اہمیت کا حامل رہا کہ اس دوران ہیومن ریسورس ٹیم کے ذریعے جن لوگوں کی شمولیت ہوئی انہوں نے اعلی کارکردگی کے مظاہرہ کیا۔

- ہیومن ریسورس ٹیم نے نیورسٹی آف آزاد جموں و کشمیر اور آئی بی اے، کراچی میں ہونے والی ریکروٹمنٹ ڈرائیوز میں حصہ لیا۔ ان ریکروٹمنٹ ڈرائیوز نے طلباء سے بات چیت کرنے کے لیے اور ان کے سمرائنرن شپ پروگرامز برٹیل بلویر (منجمنٹ ٹرینی پروگرام) اور اسامیوں سے متعلق قیادت کے پلیٹ فارم کے طور پر کام کیا اور ان کے شاندار کیریئر کی خواہشکے مطابق رہنمائی فراہم کی۔
- نیشنل فوڈز لمیٹڈ نے اپنے منجمنٹ ٹرینی پروگرام کوری ویسپ، ری برانڈ اور ری لانچ کیا جس کو اب این ایف ایل ' ٹریل بلیزر (Trailblazers) ' کہا جاتا ہے۔ فی الحال، 12 ٹریل بلیزر اپنے متعلقہ کاموں میں مستقل کوچنگ کے ذریعے رہنمائی حاصل کر رہے ہیں۔ سہ ماہی فیڈ بیک سیشنز، پروگریس ٹریکنگ اور متعلقہ ٹریننگز کا مقصد صحیح ترقیاتی مواقع فراہم کرنا ہے۔ اس سے بالآخر آپ کے کاروبار کو فائدہ پہنچانے کے لیے ایک مضبوط قیادت کی پائپ لائن بنانے میں مدد ملے گی۔
- ہیومن ریسورس ٹیم نے اپنا تشکیل دیا ہوا ایٹنر ن شپ پروگرام شروع کیا جس میں میرٹ پڑنی سلیکشن کے عمل کا تقاضا کیا گیا تھا جہاں 5000 درخواستیں موصول ہوئیں، جن میں سے 125 طلباء کو آئن قابلیت کا امتحان دینے کے لیے شارٹ لسٹ کیا گیا۔ اس مجموعی تعداد میں سے سب سے زیادہ نمبرز لینے والوں کا انٹرویو لیا گیا اور پہلے سے طے شدہ مضویوں پر بہترین 10 انٹرز کی تعیناتی کی گئی۔ اس پروگرام سے صنعت اور تعلیم کے مابین پائے جانے والے فرق کو ختم کرنے میں مدد ملے گی جبکہ کمپنی کو مستقبل کی کاروباری ضروریات کے لیے قابلیت سے بھرپور ایک مکمل شراکت فراہم کی جائے گی۔

- انٹری لیول پلانٹ آپریشن کے عملے کی مستقبل کی ضروریات کو پورا کرنے اور ہر سطح پر تنوع قائم رکھنے کے لیے، نیشنل فوڈز لمیٹڈ نے نوری آباد اور کراچی میں اپنی فیکٹریوں کے لیے اپنٹس شپ پروگرام شروع کیا۔ یہ اقدام این ٹی ایس ( نیشنل ٹیسٹنگ سروسز) کے ساتھ مل کر ایک باہمی تعاون کی کوشش ہے اور اس کا آغاز مالیاتی سال Q1 2020 میں ہونا ہے۔
- پاکستان کے شمالی علاقوں میں کراس فنکشنل ٹیم بلڈنگ کی سیر و تفریح کا اہتمام کیا گیا تھا۔ مینگوم MANCOM کے متعلقہ ممبران کے ساتھ رابطے کے سیشنز کا اہتمام کیا گیا تھا تاکہ ملازمین کو ہماری بنیادی اقدار کے سفر کے بارے میں مختصر حوالہ دیا جاسکے۔
- این ایف ایل نے Mercer مرسر کے ساتھ شراکت میں اپنے Employee Engagement Survey (ملازمین کی مصروفیات سے متعلق سروے) کروایا۔ زیادہ سے زیادہ رسپانڈس ریٹ کی حوصلہ افزائی کے لیے مقابلے منعقد کروائے گئے۔ ہم نے حیرت انگیز طور پر 92% رسپانڈس ریٹ حاصل کیا جس سے یہ ظاہر ہوتا ہے کہ ہم اس سفر پر جانے کے لیے تیار ہیں جو ہمارے طریقہ عمل اور لوگوں کی توقعات کو اور بڑھادے گا۔

### کاروباری استحکام

- معیاری تیاری کی فراہمی کے لیے ایس ڈی جی نمبر 4 کی مناسبت سے کام کرتے ہوئے نیشنل فوڈز نے ٹی سی ایف(TCF) کے ساتھ تعاون کرتے ہوئے ایک اسکول کو اپنایا ہے۔ یہ اپنایا گیا اسکول ادریس اسماعیل اعوان کیمپس کے نام سے قائم ہے جو بلدیہ ٹاؤن میں موجود ہمارے سائٹ پلانٹ کے نزدیک ہے۔
- چوتھے یونیفائیڈ میراٹھوں کے لیے نیشنل فوڈز لمیٹڈ نے اسپیشل ایلکس پاکستان کے ساتھ تعاون کیا ہے۔ اس شراکت داری نے ہمارے ٹی سی ایف ایڈاپٹ آ اسکول پروگرام سے طالب علموں کو خصوصی اتھلیٹکس کے ساتھ کندھے سے کندھا ملا کر کھڑے ہونے کا حوصلہ فراہم کیا ہے۔
- نیشنل فوڈز نے شوکت خانم میموریل کینسر ہسپٹل اینڈ ریسرچ سینٹر(SKMCH) کے ساتھ تعاون کیا ہے جس کے ذریعے چھاتی کے سرطان کی علامات ابریٹ کینسر کی علامات کے حوالے سے شعور اجاگر کرنے میں مدد ملے گی۔
- نیشنل فوڈز لمیٹڈ نے کارپوریٹ آفس میں بلڈ ڈرائیو کا انعقاد کرنا ضروری سمجھا اور اسی سلسلے میں سو(100) سے زائد ملازمین کے خون عطیہ کرنے پر مجموعی طور پر بلڈ ڈرائیو سرگرمی انتہائی کامیاب رہی۔
- نیشنل فوڈز لمیٹڈ نے متعدد فیملی فرینڈلی پالیسیز کو اپنایا ہے جس میں کام کرنے والے والدین کی ضرورت کے مطابق سائٹ پر ڈے کیئر کے ساتھ ساتھ خواتین ملازمین کے لیے پک اینڈ ڈراپ کی سہولت شامل ہے۔ مزید یہ کہ نیشنل فوڈز لمیٹڈ اوقات کار کی پالیسی میں نرمی رکھتا ہے تاکہ ملازمین کو اس انتخاب کی اجازت ہو کہ وہ اپنے کام کے دن میں سے نوگھنٹے کب شروع کر سکتے ہیں۔ ملازمین اور ان کے خاندان کے لیے میڈیکل الاؤنسز میں بھی توسیع کردی گئی ہے۔ جس کے نتیجے میں خواتین کی باوقار شراکت سے افرادی قوت میں 65 فیصد اور منجمنٹ (انتظامیہ) میں 117 فیصد اضافہ ہوا ہے۔ ان کوششوں کے نتیجے کے طور پر پی ٹی سی(PBC) اور آئی ایف سی(IFC) کی جانب سے کی جانے والی کیس اسٹڈی کے مطابق کمپنی کو بین الاقوامی سطح پر سرہا گیا ہے۔
- نیشنل فوڈز نے خدا کی بہتی (کراچی) کے رہائشی 5000 بچوں کی غذائی ضروریات کو پورا کرنے کے لیے صحت بخش کھانا فراہم کرنے کا آغاز کیا ہے۔ بچوں کی اعلی و معیاری کھانے تک رسائی کو ممکن بنانے کے لیے کمپنی اپنے پریئم، حفظان صحت کی فوڈ پروڈکٹس کو عطیہ کر رہی ہے تاکہ وہ معاشرے میں وہ اپنی شناخت بنانے کے قابل ہو سکیں۔

نیشنل فوڈز لمیٹڈ اپنے شراکت داروں کی زندگی کو بہتر بنانے کا عزم رکھتا ہے، سب سے بڑھ کر ہماری میزبان کمیونٹیز۔ پورے سال کارپوریٹ سوشل رسپانسیبلٹی Corporate Social Responsibility(CSR) پروگرام کے تحت خواتین کو بااختیار بنانا، صحت، غذائیت اور تعلیم میں بہتری ہمارا اولین مقصد ہے جس کے لیے 18.1 ملین پاکستانی روپے (نقد اور دوسرے ذرائع سے) کے ذریعے ہم نے اپنا حصہ ڈالا ہے۔

#### کاروباری اخلاقیات

کمپنی کے کاروبار کے لیے ابتداء سے ہی کمپنی کی ایک پالیسی ہے کہ کمپنی اور اس کے تمام ملازمین اعلی ترین اخلاقی معیار برقرار رکھیں گے۔ ہمارے ضابطہ اخلاق کی تشکیل اور تمام قواعد ہماری کمپنی کے کلچر کا اٹوٹ حصہ ہیں جو یہ بتاتے ہیں کہ ہم کون ہیں اور کس طرح کام کرتے ہیں۔ ہماری کمپنی کے قائد کاروبار کے اصولوں اور کمپنی کی ذمہ داریاں اس طرح نمایاں کرتے ہیں کہ ہمارے ملازمین کی ذمہ داریاں، ان کی کمپنی کی طرح ان کا اخلاقی رویہ اور بہترین کارپوریٹ کے زیر اثر انتظامی امور نیشنل فوڈز کا حصہ ہیں۔

#### اصولی اور غیر یقینی صورتحال

مقامی کاروبار اور سیاسی صورتحال سا رسال غیر یقینی رہی ہے، خاص طور پر سر مایہ کار اور صارف کے اعتماد پر ٹیکس اصلاحات اور محصول کی وصولی کے ہدف کے فرق سے اثر پڑا ہے۔ غیر مستحکم مالیاتی پالیسیوں نے فنڈنگ میں لاگت کے اضافے کے ساتھ معاشی ماحول کو بھی پست کر دیا ہے۔ کمپنی نے ماحول میں مسابقتی پسندائرترقی کو یقینی بنانے کے لیے ایک اچھی حکمت عملی تیاری کی ہے۔ فوڈ سیگمنٹ کی سہولت کی بنیاد پر نیشنل فوڈز کا مجموعی نفع قلیدی اور درآمدی اشیاء پر منحصر ہے۔

موسمی تبدیلی کی وجہ سے قیمتوں میں غیر یقینی صورتحال رہی ہے۔ مقامی ذرائع میں کمی کی وجہ سے برآمدات میں اضافہ ہو رہا ہے جس سے خام مال کی قیمتوں میں کافی فرق آیا ہے، امید ہے کہ قیمتوں کے اتار چڑھاؤ کی پابندی سے مسابقتی ماحول میں بہترین مواقع حاصل ہو سکیں گے۔

مالی سال کے دوران زرمبادلہ کی شرح میں کافی کمی متوقع ہے جس سے کمپنی کے مجموعی نفع میں کمی لائی جاسکتی ہے اور اس کی وجہ سے ٹرانزاکور اور آلو بخارے کی قیمتیں بہت بہتر ہوئی ہیں، تاہم برآمدات اور درآمدات کے بہتر توازن سے کمپنی غیر ملکی کرنسی کے اتار چڑھاؤ کو قابو میں رکھتی ہے۔





# چیئر مین کی جائزاتی رپورٹ

## کمپنی کی مالی صورتحال کی شرحیاں اچھلیاں:

بورڈ آف ڈائریکٹرز کے توسط سے میں، 30 جون 2019 کو ختم ہونے والے مالی سال کے حوالے سے پیشکش شدہ فوڈز لمیٹڈ (کمپنی) کے اہم مالی نتائج کا سالانہ جائزہ آپ سے شیئر کرتے ہوئے مسرت محسوس کر رہا ہوں۔ سال 2018-19 کمپنی کے آگے بڑھنے اور شاندار کارکردگی دکھانے کا ایک اور سال ثابت ہوا۔ مجموعی طور پر کمپنی نے 33 بلین کاروباریوں حاصل کیا اور ٹیکس کی ادائیگی کے بعد 1.4 بلین کا منافع حاصل کیا۔

## پاکستان کا معاشی منظر اور کمپنی کی کارکردگی:

سال کے دوران معاشی محاذ پر مالی اور مالیاتی پالیسیوں میں مسلسل آنے والے بدلاؤ کی وجہ سے غیر یقینی صورتحال کا سامنا رہا جس کے نتیجے میں مقامی حجم میں سست روی کا سامنا کرنا پڑا۔ ڈسپوز ایبل آمدنی کے سیکڑے کی وجہ سے صارفین کی طلب بھی متاثر ہوئی۔ کنزیومر پرائس اینڈینس کی قیمتوں میں اضافہ، خام مال، پیکنگ میٹریل اور فنانسنگ لاگت کی قیمتوں میں اضافے کے ساتھ ساتھ مہنگائی کے بڑھتے ہوئے رجحان کی نشاندہی کرتی ہے، جس سے مجموعی طور پر دیگر کمپنیوں کی طرح کمپنی کے کاروبار کرنے کی لاگت اور مالی امور میں بھی نمایاں اضافہ ہوا ہے۔ اس کے ساتھ ہی جون 2018 سے امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں %32 تک کمی ہوئی ہے۔

تاہم، ایکسیچینج لیگن کے ذریعے کمپنی کے بین الاقوامی کاروبار NFD MCC اور A-1 نے ٹیکس کی ادائیگی سے پہلے ہی منافع پر مثبت اثر ڈالا ہے۔

مندرجہ بالا معاشی مسائل کے باوجود کمپنی نے زمین حقائق کے پیش نظر اچھی کارکردگی کا مظاہرہ کیا ہے جسے ڈائریکٹرز رپورٹ میں پڑھا جاسکتا ہے۔ میرا ذاتی طور پر اس بات پر کامل یقین ہے کہ نیا آنے والا ہر ایک چیلنج اپنے ساتھ نئے مواقع بھی لاتا ہے۔

تندہی با مخالف سے نہ گھبرا اے عقاب

یہ تو چلتی ہے تجھے اُنچا اُڑانے کے لیے

## بورڈ کا جائزہ اور کارکردگی:

گزشتہ بورڈ نے 18 اکتوبر 2018 کو اپنی مدت مکمل کی اور اسی دن ایک نئے بورڈ کا انتخاب کیا گیا اور سات (7) ڈائریکٹرز کی حد کو مستقل رکھا گیا۔ جیسا کہ درج کمپنیوں (کوڈ آگ کارپوریشن گورننس) ریگولیشنز، 2017 کے مطابق دو آزاڈ ڈائریکٹرز کی ضرورت ہوتی ہے اس کے مطابق جناب احسان اے ملک اور جناب توفیق انجینئر چنائے اب بورڈ آڈٹ کمیٹی (BAC) اور اس کے ساتھ ہی ہیومن ریسورس اینڈ ریونیویشن کمیٹی (HRRC) کی سربراہی کر رہے ہیں۔

میں بہت اعتماد کے ساتھ یہ بتانا چاہوں گا کہ بورڈ اپنے فرائض اور ذمے داریوں کو نہایت خوش اسلوبی کے ساتھ انجام دے رہا ہے اور کمپنی کو اس کے اسٹریٹجک امور میں رہنمائی کرنے میں اپنا موثر کردار ادا کر رہا ہے۔

کمپنی نے بورڈ کی کارکردگی کا جائزہ لینے کے لیے ذاتی جائزہ فارم تیار کیا تھا جو کہ اب کمیٹی میں بھی تقسیم کیا جائے گا۔ ایک بورڈ ہونے کی حیثیت سے، ہم کارپوریشن گورننس کی اعلیٰ سطح کو برقرار رکھنے اور مزید مستحکم کرنے کی بھرپور کوشش کرتے ہیں۔ کارپوریشن کی شفافیت کے عمل کو مستقل اور یقینی بناتے ہیں، آپ کی کمپنی کی شاندار ترقی کو یقینی بناتے ہیں اور کارپوریشن ویلویو کو بڑھانے کے لیے مسلسل کوشاں رہتے ہیں۔

کمپنی اپنے شیئر ہولڈرز کی قدر کو مزید بڑھانے کے لیے بے مثال لگن و جذبہ رکھتی ہے اس لیے مستقل جدت، کارکردگی اور موثر فیصلی اقدامات کے ساتھ اعلیٰ ترین پروڈکٹس کی تیاری میں مصروف ہے۔

## اعتراف:

ڈائریکٹرز نے جانے والے سال کے حوالے سے کمپنی کی مینجمنٹ اور اسٹاف کی شاندار کارکردگی کا کھلے دل کے ساتھ اعتراف کیا ہے ساتھ ہی ان کی جانفشانی اور لگن کے جذبے کو سراہا ہے۔ آخر میں، میں اپنے تمام شراکت داروں کا ممنون ہوں جو ہمارے اس سفر میں آج کی تاریخ تک ہمارے شانہ بشانہ ہیں اور باہمی ربط کے پیش نظر امید کرتا ہوں کہ آنے والے سالوں میں بھی ہمارا ساتھ مزید مضبوط ہوگا۔



چیئر مین

# Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_

being a member of \_\_\_\_\_

National Foods Limited holding \_\_\_\_\_ ordinary shares as per Registered

Folio No./CDC A/C No. (for members who have shares in CDS) \_\_\_\_\_

hereby appoint Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_

(full address) \_\_\_\_\_ or failing him/her \_\_\_\_\_

Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_

(full address) \_\_\_\_\_

(being member of the Company) as my/our Proxy to attend, act and vote for me/us and behalf at the 48th Annual General Meeting of the Company to be held on October 18, 2019 and/or any adjournment thereof.

As witness my/our hands seal this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

Signed by \_\_\_\_\_ in the \_\_\_\_\_

1. Witness

Signature \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

2. Witness

Signature \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No. \_\_\_\_\_

CNIC No. \_\_\_\_\_

## Important:

- This form of proxy, duly completed and signed, must be deposited at the office of the Company's Shares Registrar, not later than 48 hours before the meeting.
- This form should be signed by the Member or by his/her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
- A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is a Member.

## For CDC Account Holders/Corporate Entities:

In addition to the above following requirements have to be met:

- The Proxy form shall be witnessed by two persons whose names, address and CNIC Numbers shall be mentioned on the form.
- Attested copies of CNIC or Passport of the beneficial owners and proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form.

Signature on  
Rs. 5/-  
Revenue Stamp

(Signature must agree with the specimen signature registered with the company)



## **National Foods Limited**

12/CL-6 Claremont Road,  
Civil Lines, Karachi.  
Contact: +92 21 38402022  
Website: [www.nfoods.com](http://www.nfoods.com)